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January 23, 2004

NHTSA-04-17015-2

DEPT OF TRANSPORTATION  
FEB 5 AM 9:00

Dr. Jeffrey W. Runge, Administrator  
National Highway Traffic Safety Administration  
400 Seventh Street, S.W.  
Washington, D.C. 20590

Dear Dr. Runge:

Pursuant to Section 503(b)(3) of the Motor Vehicle Information and Cost Savings Act, as amended by the Automobile Fuel Efficiency Act of 1980, 49 U.S.C. § 32904(b)(6), and the procedures set forth at 49 C.F.R. Part 526, Nissan North America, Inc. ("NNA"), on behalf of itself and its parent corporation Nissan Motor Company, Ltd. (collectively "Nissan" or "the Company"), hereby petitions the National Highway Traffic Safety Administration ("NHTSA" or "the Agency"), acting on behalf of the Secretary of the Department of Transportation ("DOT"), for an exemption from the provisions of the Corporate Average Fuel Economy ("CAFE") program that require separate calculations for domestically and non-domestically manufactured passenger vehicles.

Nissan seeks the exemption for two reasons: (1) to maintain current levels of domestic production of passenger vehicles after model year 2005, when certain free-trade provisions of the CAFE program become applicable; and (2) to enable the Company to continue to increase its domestic production of passenger vehicles manufactured in the United States. Nissan requests the exemption for model years 2006 through 2010, or until such time when changes to the CAFE program or other circumstances require the Company's re-evaluation of the need for the exemption.

The attached petition and supporting documents provide the information that NHTSA requires and demonstrate that Nissan meets the statutory standard for the exemption. Pursuant to the statute, NHTSA is required to grant the exemption "unless the [Agency] finds that the exemption would result in reduced employment in the United States related to motor vehicle manufacturing during the period of exemption." 49 U.S.C. § 32904(b)(6)(B).

Nissan's supporting documentation establishes that a grant of the exemption will not result in reduced employment in the United States related to motor vehicle manufacturing. To the contrary, Nissan is confident that a grant of the exemption

Dr. Jeffrey W. Runge  
January 23, 2004  
Page 2

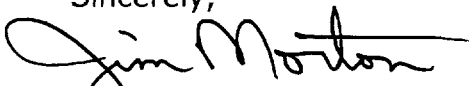
will allow the further increase of automotive manufacturing employment in the United States as the Company increases domestic production and consequently increases the number of jobs available in its domestic plants, as well as the number of jobs available to suppliers of equipment, parts and services to Nissan. Since the exemption will facilitate the Company's expansion of domestic production, Nissan also meets the statutory purpose of the exemption: to protect U.S. jobs by encouraging domestic production of automobiles.

Nissan has a long history of manufacturing passenger vehicles and light trucks in the United States and would like to continue to expand its domestic production capabilities and increase domestic production. NNA distributes Nissan and Infiniti vehicles in the continental United States. NNA also produces components for its domestic vehicles, such as engines and axles, at its Decherd, Tennessee plant, and assembles and produces various Nissan models at its plant in Smyrna, Tennessee and its newly opened plant in Canton, Mississippi. Currently, the Company's projected production plan calls for expansion of its domestic plants in Mississippi and Tennessee. Receiving the requested exemption will facilitate and ensure Nissan's continued expansion.

Nissan looks forward to working with NHTSA staff and is available at any time to discuss the attached information and data provided by the Company. To the extent that NHTSA's decision on the exemption could affect the Company's plans for expansion in upcoming model years, Nissan respectfully requests a prompt decision on this petition for exemption, as provided by 49 U.S.C. § 32904(b)(6)(C).

Please do not hesitate to contact me if you have any questions concerning Nissan's petition. We look forward to your response.

Sincerely,



Jim Morton  
Senior Vice President  
Administration & Finance

Enclosures

**Petition for Exemption from Separate  
Corporate Average Fuel Economy Calculations  
for Domestic and Foreign Passenger Automobiles**

**Filed pursuant to 49 U.S.C. § 32904(b)(6)  
and 49 C.F.R. § 526.2**

**Submitted to the  
National Highway Traffic Safety Administration**

**on Behalf of  
Nissan Motor Company, Ltd.**

**by  
Nissan North America, Inc.**

**January 23, 2004**

## INTRODUCTION

Nissan North America, Inc. ("NNA") is pleased to submit, on behalf of itself and its parent corporation Nissan Motor Company, Ltd. (collectively "Nissan" or "the Company"), this petition for exemption from the requirement for separate domestic and non-domestic fleet calculations under the Corporate Average Fuel Economy ("CAFE") program. Nissan seeks the exemption for two reasons. First, the exemption will allow the Company to maintain current levels of domestic content and production of the Sentra, Altima and Maxima for model years 2006 and beyond. Second, the exemption will facilitate continued expansion of domestic production in Nissan's Mississippi and Tennessee plants. As demonstrated below, the exemption will benefit the U.S. economy and allow Nissan to continue to increase the number of motor vehicle production-related jobs in the United States.

The contents of this petition are divided into five parts, in addition to the attached Appendices. Section I provides background information on why Nissan is applying for the exemption. Section II outlines Nissan's eligibility for the exemption. Section III discusses why Nissan meets the standard for granting the exemption. Section IV describes additional public policy reasons supporting Nissan's petition. And, Section V details how granting the petition is consistent with the legislative purposes of the fleet-split exemption. Appendix I includes several tables that provide the information required by regulations at 49 C.F.R. Part 526.2, and Appendix II contains several attachments that are referenced throughout the petition below.

### I. BACKGROUND

#### A. History of the Fleet-Split Exemption

As you are aware, the CAFE program requires automobile manufacturers to meet fleet-wide fuel economy averages for both passenger cars and light trucks, or become subject to monetary penalties per vehicle. *See* 49 U.S.C. §§ 32901-32919. The Energy Policy and Conservation Act, Pub. L. No. 94-163 (Dec. 22, 1975), which originally enacted CAFE, required manufacturers to perform separate fuel economy calculations for their domestic and non-domestic (or imported) passenger car fleets. *See* Energy Policy and Conservation Act § 503(b), Pub. L. No. 94-163 (Dec. 22, 1975). Passenger cars are considered domestically manufactured if at least 75% of the cost of the manufacture is attributable to value added in the United States or Canada. *See* 49 U.S.C. § 32904(b)(2). <sup>1/</sup> The

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<sup>1/</sup> Under provisions of CAFE added to incorporate the North American Free Trade Agreement ("NAFTA") with Mexico, all vehicles manufactured in Mexico will be considered

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
I. BACKGROUND.....	1
A. History of the Fleet-Split Exemption.....	1
B. Nissan's Situation.....	3
II. NISSAN IS ELIGIBLE FOR THE EXEMPTION .....	4
III. NISSAN MEETS THE STANDARD FOR GRANTING THE EXEMPTION.....	5
A. Granting Nissan the Fleet-Split Exemption Will Maintain Domestic Production Levels and Will Facilitate an Increase in Motor Vehicle-Related Jobs in the United States.....	5
1. The Exemption Will Allow Nissan to Maintain Current Domestic Production Levels .....	5
2. The Exemption Will Facilitate Nissan's Domestic Expansion and Resulting Employment Increases.....	6
B. Information Required by NHTSA's Regulations Strongly Supports Nissan's Petition for Exemption.....	9
1. Projected Model Type, U.S. Sales and Cost Information (49 C.F.R. § 526.2(a)).....	10
2. Employment Information (49 C.F.R. § 526.2(b)) .....	11
3. How the Information Provided by Nissan Would Differ Without the Fleet-Split Exemption (49 C.F.R. § 526.2(c)) .....	13
C. The Exemption Will Not Give Nissan a Competitive Advantage Over Domestic Manufacturers .....	15
1. The VW Experience Demonstrates the Unlikelihood of a Competitive Advantage Resulting from the Exemption .....	15
2. Granting Nissan the Exemption Will Not Significantly Displace Sales of Domestic Manufacturers.....	17
3. Limitations on the Fleet-Split Exemption Negate Any Competitive Advantage that Could Result from the Exemption .....	19

IV.	GRANTING NISSAN THE EXEMPTION IS SOUND PUBLIC POLICY.....	20
A.	Granting the Exemption Will Provide Important Economic Benefits to the United States .....	20
B.	Granting the Exemption Will Not Produce Any Significant Environmental Impact .....	21
V.	NISSAN MEETS THE PURPOSE OF THE FLEET-SPLIT EXEMPTION.....	23
A.	Congress Created the Exemption Process to Encourage Foreign Manufacturers to Produce Vehicles Domestically .....	23
B.	Granting Nissan the Fleet-Split Exemption Will Encourage Domestic Production and Facilitate an Increase in Motor Vehicle-Related Jobs in the United States as Congress Intended.....	26
	CONCLUSION .....	26

requirement for separate calculations of domestic and imported fleets is known as the "fleet-split" provision. The fleet-split provision was enacted to address Congress' concern that allowing a single calculation would create an incentive for U.S. manufacturers to import more fuel-efficient cars in order to boost the fuel economy of domestic fleets and meet the CAFE standards. *See* S. Rep. 96-462, at 6 (1980). The central purpose behind the fleet-split provision, therefore, was to prevent loss of U.S. jobs in the automobile industry.

In 1980, in order to encourage domestic production, Congress amended the CAFE program to provide a process whereby a non-U.S. based manufacturer could petition the National Highway Traffic Safety Administration ("NHTSA" or "the Agency") for an exemption from separate fleet calculations. *See* Automotive Fuel Efficiency Act of 1980 § 4, Pub. L. No. 96-425 (October 10, 1980) (originally codified at 15 U.S.C. § 2003, currently codified at 49 U.S.C. § 32903(b)(6)(A)). <sup>2/</sup> Pursuant to the statutory exemption provision, NHTSA must grant the petition of an eligible manufacturer, unless it determines that the exemption will result in reduced employment in the United States related to vehicle manufacture during the period of exemption. *See* 49 U.S.C. § 32904(b)(6)(B). The statute provides for the exemption to be effective for five model years, but grants NHTSA the discretion to alter the effectiveness period. *See id.* During the exemption period, however, manufacturers may neither earn CAFE credits for exceeding the CAFE standards nor use credits earned prior to or projected to be earned after the exemption period. *See id.* at § 32904(b)(8).

To date, only one manufacturer has petitioned for the fleet-split exemption. In July 1981, Volkswagen of America, Inc. ("VW") petitioned NHTSA for an exemption from the separate fleet-split calculations based on production in the United States. *See* 46 Fed. Reg. 45,238 (1981). <sup>3/</sup> VW requested the exemption for an unlimited amount of time. *See* Letter to Honorable Andrew Lewis, Jr., Secretary of Transportation, from Gerhard Riechel, Associate Counsel VW (July 29, 1981) (hereinafter "VW Petition"). In its petition, VW stated that the exemption would result in increased employment in the United States, and presented testimony from an economic expert on the impact that increased automobile

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toward the calculation of domestic content as of model year 2005. *See* 49 U.S.C. § 32904(b)(3)(B).

<sup>2/</sup> Section 4 was later modified, with no substantive revisions, as part of the reorganization of Title 49 of the United States Code. *See* Pub. L. No. 103-272 (1994).

<sup>3/</sup> VW originally filed its petition in November 1980, but agreed to hold it in abeyance until NHTSA could develop procedures for evaluating such petitions. In July 1981, VW reinstated its petition and requested expeditious action by NHTSA. *See* Letter from Gerhard Riechel, Associate Counsel, VW, to Honorable Andrew Lewis, Jr., Secretary of Transportation (July 29, 1981).

production in the United States would have on employment. *See* VW Petition. <sup>4/</sup> Ultimately, NHTSA reasoned that if the assumed relationship between increased production and employment was correct, and VW increased its domestic content by about 10% at each plant according to the company's assertions, "then nearly 10,000 new jobs would be generated." 46 Fed. Reg. 45,238 (1981). In November 1981, finding no reason to conclude that an exemption for VW would result in adverse impacts on employment, NHTSA granted VW the exemption. *See* 46 Fed. Reg. 54,453 (1981).

NHTSA granted VW the exemption for the "indefinite future," but reserved the right to reconsider the exemption if it became inconsistent with the purposes of the CAFE statute. *See* 46 Fed. Reg. 54,453, 54,454 (1981). VW conducted combined fleet calculations for CAFE until halting U.S. production in 1988. In 1991, VW confirmed by letter to NHTSA the expiration of the exemption once VW ceased domestic production in 1988. *See* Letter from Paul Jackson Rice, Chief Counsel, NHTSA, to Philip Hutchinson, Jr., Vice President Public Affairs, VW (Sept. 5, 1995).

## **B. Nissan's Situation**

Applying the fleet-split requirements to Nissan under the current CAFE program will only inhibit investment in domestic production—the exact opposite of the goal of the statutory fleet-split provision. Specifically, beginning in the 2005 model year, vehicles with at least 75% of assembly costs attributable to Mexico, such as the Nissan Sentra, will be considered "domestic" vehicles under the NAFTA provisions of the CAFE program. *See* 49 U.S.C. § 32904(b)(3)(B)(v). Thus, in 2005, through no change in the Company's production, the Nissan Sentra manufactured primarily in Mexico will change from a non-domestically produced passenger car to a "domestic" passenger car. <sup>5/</sup>

Although Nissan's overall passenger car fleet CAFE value will meet the current standard of 27.5 miles per gallon ("mpg"), the non-domestic passenger car fleet CAFE without the Sentras will not comply with the standard. As a result, after model year 2005, Nissan will face a deficit in the CAFE value for its non-domestic fleet and a large surplus in the CAFE value for its domestic fleet. Based

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<sup>4/</sup> VW cited expert testimony by Wassily Leonard from hearings before the House Banking, Currency and Housing Committee's Automobile Industry Task Force in 1975, stating that the "production of 200,000 vehicles with 100% domestic content will generate approximately 50,000 direct and indirect jobs in manufacturing." VW Petition at 3.

<sup>5/</sup> Currently, the domestic content level of the Sentra is [ ] value added in the United States and Canada. In 2005, the Sentra's domestic content level will rise to [ ] value added in the United States, Canada and Mexico.

on this imbalance, Nissan may be forced to decrease domestic content and outsource production of one or all of its domestically produced vehicles—i.e., the Sentra, Altima or Maxima—in order to offset this imbalance. Decreasing the domestic content level of the Sentra could result in a decrease in the use of U.S.-made components, such as radiators, air conditioners, suspensions, engine parts and some engines, currently used in the Sentra. Likewise, decreasing the domestic content level of the Altima or Maxima, which currently make up Nissan's domestic fleet, would mean decreasing production at NNA's Smyrna, Tennessee plant and reducing domestic engine production at the Decherd, Tennessee plant. Such reductions in domestic production of the Altima or Maxima could likely lead to reductions in employment at Nissan's Tennessee plants. Accordingly, an exemption from the fleet-split provision is necessary for Nissan to maintain existing levels of Sentra production in Mexico, and Altima and Maxima production at Smyrna, Tennessee, as well as the corresponding levels of engine and component production in Decherd, Tennessee.

The dilemma Nissan faces with its Sentra production is the very situation Congress sought to address in amending the CAFE statute to provide for an exemption from the fleet-split provision. See Automobile Fuel Efficiency Act of 1980 § 4, Pub. L. No. 96-425 (1980) (codified at 49 U.S.C. § 32903(b)(6)). By providing the fleet-split exemption, Congress sought to protect U.S. jobs and encourage companies to continue domestic production. Granting of the exemption will allow Nissan to continue its domestic production, but even more importantly, will allow the Company to continue with its planned expansion of manufacturing capability and investment in the United States.

## II. NISSAN IS ELIGIBLE FOR THE EXEMPTION

As a threshold requirement for applicability of the exemption, a manufacturer must meet certain eligibility criteria. The statutory language of the exemption provision provides a clear test for eligibility: a manufacturer may file a petition for exemption from the fleet-split requirements with NHTSA if the manufacturer began domestic automobile production (1) after December 22, 1975, but before May 1, 1980; or (2) after April 30, 1980, but only if the manufacturer engaged in at least one model year's worth of production ending before January 1, 1986. See 49 U.S.C. § 32904(b)(6)(A).

Nissan is eligible for the exemption under the statutory criteria. In model year 1983, Nissan began domestic automobile production of the Frontier truck at the Smyrna, Tennessee. See Attachment II-1, *Nissan: Truck History* (2001). Since Nissan has operated its Smyrna plant consistently from 1983 on, Nissan engaged in three model year's worth of automobile production after April 30, 1980 and before January 1, 1986. Consequently, Nissan meets the eligibility requirements of 49 U.S.C. § 32904(b)(6)(A) necessary to file the petition.

### **III. NISSAN MEETS THE STANDARD FOR GRANTING THE EXEMPTION**

Pursuant to the statutory standard of review, NHTSA is required to grant the exemption unless the Agency "finds that the exemption would result in reduced employment in the United States related to motor vehicle manufacturing during the period of exemption." 49 U.S.C. § 32904(b)(6)(B). As provided in greater detail below and in the attached supporting documentation, Nissan affirmatively demonstrates that granting the exemption will maintain the status quo for domestic production in the near term and will facilitate an increase in U.S. jobs as Nissan expands its domestic production facilities in the future. In no case will the fleet-split exemption reduce U.S. jobs related to motor vehicle production. Accordingly, based on the express language of the statute, Nissan requests that NHTSA grant this petition.

#### **A. Granting Nissan the Fleet-Split Exemption Will Maintain Domestic Production Levels and Will Facilitate an Increase in Motor Vehicle-Related Jobs in the United States**

As discussed further below, without the fleet-split exemption to maintain the status quo, Nissan will need to re-evaluate North American production and might have to alter current production in the United States. By the end of fiscal year 2003, Nissan's production facilities in Smyrna and Decherd, Tennessee and its new plant in Canton, Mississippi will employ nearly [ ] people, as well as create [ ] additional jobs for independent contractors, in jobs directly related to motor vehicle manufacturing. All total, in fiscal year 2003, Nissan will employ over [ ] people in the United States, not only in manufacturing jobs, but also in research and development, marketing and other corporate positions ultimately dependent on the continued success of Nissan's vehicles. The fleet-split exemption will protect the current level of Nissan's domestic production and employment, and will facilitate Nissan's continued expansion in the United States. Without the exemption, however, Nissan will need to reconsider both its current domestic production levels, as well as the Company's future plans to expand domestic production.

##### **1. The Exemption Will Allow Nissan to Maintain Current Domestic Production Levels**

The most immediate result of the granting of the fleet-split exemption to Nissan is that such exemption will allow the Company to maintain existing production levels for the Sentra in Mexico and the Altima and Maxima in the United States, and will prevent further reduction in U.S. jobs that could occur if Nissan were forced to decrease domestic production to avoid CAFE penalties. Specifically, as noted in Section I.B above, as a result of the NAFTA provisions of the CAFE statute, all Sentra vehicles manufactured in Mexico will be considered

toward the calculation of domestic content as of model year 2005. See 49 U.S.C. § 32904(b)(3)(B). Without the exemption, Nissan's import fleet will face a deficit in its CAFE value and the Company's domestic fleet will face a significant surplus. As a result of this significant imbalance, Nissan may be forced to reduce domestic content levels of the Sentra, 6/ or of its other domestic vehicles the Altima or Maxima, 7/ and outsource production outside of North America to offset this imbalance.

The re-shifting of domestic production to offset the imbalance otherwise caused by the NAFTA provisions could have negative repercussions throughout Nissan's domestic production operations. For example, many of the Sentra's components, such as radiators, air conditioning components, suspensions, and engine parts are built in U.S. facilities. A reduction in domestic content levels or a decrease in Sentra production in North America would likely cause a corresponding decrease in use of U.S.-made components in the Sentra. Similarly, reductions of domestic content in the Altima or Maxima would also reduce domestic production of both vehicles at the Smyrna plant and would reduce production of engines and components taking place at the Decherd facility. Such reductions in U.S. production at Smyrna and Decherd are likely to lead to reductions in U.S. employment. As a result, the granting of the exemption will prevent a decrease in U.S. production at Nissan's Tennessee plants and allow Nissan to continue to use U.S.-made components in its Sentra vehicles. The fleet-split exemption thus maintains the status quo for domestic production.

## **2. The Exemption Will Facilitate Nissan's Domestic Expansion and Resulting Employment Increases**

Granting Nissan's exemption petition also will allow the Company to move forward with its plans for increased production at its plants in Mississippi and Tennessee. Increasing domestic production is one of Nissan's main goals toward realizing "localization" of manufacture. See Attachment II-2, *Nissan Annual Report 2002* at 29 (March 2003). Nissan's current three-year plan, referred to as Nissan 180, see Attachment II-3, calls for increasing local domestic production of additional model types at its Mississippi and Tennessee plants and expanding manufacturing capacity at its engine facility in Decherd, Tennessee. By March 2005, the culmination of the Nissan 180 plan, Nissan plans to increase U.S. sales by 300,000

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6/ After 2005, when the NAFTA provisions of the CAFE statute apply, Sentra vehicles will have an [ ] domestic content level of value added in the U.S., Canada and Mexico.

7/ Currently, NNA produces two passenger vehicles with a domestic content level higher than 75%: the Altima, with [ ] domestic content for model year 2003, and the Maxima, with [ ] domestic content for model year 2004.

vehicles, approximately [ ] of which will be assembled or produced at U.S. plants. 8/

Currently, at the Smyrna, Tennessee assembly plant, workers build Maxima sedans, Xterra sport utility vehicles, Frontier pickups and Altima midsize sedans, producing nearly 400,000 vehicles in fiscal year 2002 and [ ] in fiscal year 2003. 9/ In Decherd, Tennessee, Nissan employees manufacture and assemble transaxles and all of the engines for the Tennessee and Mississippi plants. See Attachment II-4, Nissan, *Press Release: Nissan Adds Pathfinder Production to Smyrna Plant* (June 26, 2003) (hereinafter "*Smyrna Press Release*"). In fiscal year 2003, Nissan will employ [ ] production workers at the Smyrna plant and [ ] at the Decherd facility. By 2005, in order to meet the Company's goal of increased localization, Nissan plans to increase annual production at its Smyrna plant to 550,000 units, which will be divided between two platforms and five model types. See *id.* In addition, the Company plans to increase capacity of the Decherd, Tennessee plant from [ ] engines annually in 2003, to nearly 1 million engines by 2005, plus 300,000 transaxles annually. See *id.* As discussed further below in section III.B.2, Employment Information, Nissan's expansion plans for Tennessee could lead to thousands of additional automobile manufacturing-related jobs between model years 2005 and 2010. 10/

The story is similar in Mississippi. In May 2003, Nissan opened a 3.5-million-square-foot production facility in Canton, Mississippi that employed 1,950 people upon opening, as well as hundreds of independent contractors and suppliers that support production at the plant. Employment in Canton will continue to increase to nearly [ ] people in fiscal year 2003. 11/ The Canton plant produces the 2004 Quest minivan, the Nissan Pathfinder Armada, and the Titan. In fiscal year 2003, the Canton plant is expected to produce just over 135,000 vehicles. By the end of 2004, Nissan expects to launch additional model type production in Canton, including the Altima sedan and an Infiniti SUV, increasing the number of production workers directly employed at Canton to 5,300. See Attachment II-5,

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8/ In model year 2004, Nissan's domestic vehicle production will account for nearly [ ] of over [ ] total vehicles expected to be sold in the United States.

9/ The Smyrna plant produced 392,589 vehicles in fiscal year 2002 (i.e., April 1, 2002 – March 30, 2003) and will produce [ ] vehicles in fiscal year 2003.

10/ For model year 2005 alone, Nissan plans to build the new Pathfinder SUV at the Smyrna plant, an expansion that, itself, would create 800 new jobs at the Tennessee facilities, as well as 700 new jobs for on-site contractors and suppliers. See *Smyrna Press Release* (Attachment II-4).

11/ Human resources information at NNA projects that Canton will employ [ ] production workers in fiscal year 2003, which runs from April 1, 2003 to March 30, 2004.

Nissan, *Press Release: Nissan Inaugurates New Plant in Canton, Miss.* (May 27, 2003). Following the culmination of the Nissan 180 plan, the Company plans to continue to expand and increase production at its Canton plant, which would lead to even more jobs.

The Nissan 180 plan only takes the Company through March 2005. Although Nissan has not set business plans beyond 2005, the Company intends to continue to increase domestic sales and domestic production, furthering the current upward trend. See Appendix I, Table A (providing projections of potential U.S. sales based on extrapolation of the Nissan 180 plan and current domestic and non-domestic sales). Inevitably, the outcome of Nissan's fleet-split exemption petition will strongly influence the Company's future plans for production for model years 2006 and beyond. Specifically, an exemption from separate calculations under the CAFE program will allow Nissan to continue its current pace of expansion in U.S. production in model years 2006–2010 and to increase the level of local content beyond 75% in additional vehicles, without becoming subject to CAFE penalties. Failure to grant the petition will force Nissan to reconsider the current ramp up in U.S. investment as resources are diverted from expansion in the United States to addressing the CAFE issue.

In the context of U.S. employment in automotive manufacturing, Nissan's domestic expansion would increase the Company's direct employment and add manufacturing-related jobs in the United States. Recent Department of Commerce ("DOC") projections, based on Bureau of Labor Statistics industry averages for 2002, estimate that every 100,000 vehicles produced in the United States relates to 1,890 production jobs. See DOC, Office of Automotive Affairs, *The Road Ahead for the U.S. Auto Industry* at 18 (April 2003), available at <http://www.ita.doc.gov/td/auto/road2003.html>, (hereinafter "*Road Ahead Report*"). <sup>12/</sup> Based on the DOC's estimates and as discussed further below, Nissan's projected plan to increase domestic production by over [ ] vehicles between model years 2005 and 2010 <sup>13/</sup> could potentially lead to thousands of additional jobs (assuming productivity and current consumer trends remain

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<sup>12/</sup> In the *Road Ahead Report*, the DOC Office of Automotive Affairs estimates that the industry average number of vehicles assembled per production worker was 53.1 in 2002.

<sup>13/</sup> The Nissan 180 plan calls for 300,000 additional vehicles sold (or nearly 1.1 million total vehicles) in the U.S. by 2005, approximately [ ] of which would be domestically produced and assembled. This translates into approximately [ ] additional vehicles produced in the United States. In addition, Nissan's current long-term projections indicate that the Company hopes to continue the trend of increased U.S. sales and U.S. production, achieving sales of [ ] vehicles by 2008 model year, which would result in additional employment. The Company's projections do not go beyond 2008.

constant). <sup>14/</sup> Nissan's projected increases in domestic production and employment should be viewed within the context of steadily declining direct employment by domestic manufacturers within the past decade. *See id.* According to DOC, staffing reductions by the American Big 3 between 2001 and 2003 could exceed 70,000 individuals worldwide, most from North America. *See id.* These employment reductions by domestic manufacturers are due to the Big 3 selling their parts operations, improving their efficiency and overall declines in market share. *See id.* Although the domestic increases of manufacturers such as Nissan may not be sufficient to offset the significant employment reductions of domestic manufacturers, <sup>15/</sup> Nissan's continued expansion and increase in domestic production facilitated by the fleet-split exemption will result in net employment increases, and not reductions, overall.

Based on the foregoing, granting of the exemption will not result in reduced employment, as production levels in the United States and Mexico will remain the same and production levels in Nissan's U.S. facilities will continue to expand and new employees will continue to be hired as projected. Denying the petition, however, will require Nissan to re-evaluate current expansion and new production plans in the United States, which could lead to decreased investment in the United States and fewer job increases in the U.S. for the automotive manufacturing sector. Accordingly, granting of the exemption will facilitate increased employment rather than reduced employment.

#### **B. Information Required by NHTSA's Regulations Strongly Supports Nissan's Petition for Exemption**

In 1982, NHTSA implemented an interim final rule setting forth the requirements for petitioning for the fleet-split exemption. *See* 47 Fed. Reg. 7,245 (1982) (codified at 49 C.F.R. § 526.2). The interim final rules remained in place until 1994, when NHTSA issued the final rule, which largely resembled the interim rule. *See* 59 Fed. Reg. 25,574 (1994). In drafting requirements for the petition, the Agency reiterated its mandate, pursuant to 49 U.S.C. § 32904(b)(6), to grant an

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<sup>14/</sup> The application of this industry average to Nissan is discussed further below in Section III.B.2. Given the rise in worker productivity experienced in the last 5 years, *see Road Ahead Report* at 18-19, it is likely that the number of vehicles assembled per worker will not remain constant, but will instead increase significantly in the next 5 years. Although an increase in worker productivity would lower the rate at which the Company added workers to keep up with domestic production, increased domestic production will still lead to increased domestic employment.

<sup>15/</sup> As employment by the Big 3 shrinks, the "U.S. plants of the Japanese and German manufacturers are continuing to add to their U.S. employment rosters, but their additions may not be sufficient to offset the Big 3's reductions." *Road Ahead Report* at 18.

exemption unless it finds that doing so would “result in reduced employment in the United States related to motor vehicle manufacturing.” 47 Fed. Reg. at 7,246.

The regulations require information that the Agency considers necessary to determine if a company meets the statutory standard of the statute, *i.e.*, whether granting such a petition will result in reduced employment in the U.S. related to motor vehicle manufacturing. See 49 U.S.C. § 32904(b)(6)(B). Pursuant to the preamble of the regulations, the Agency does acknowledge that in most instances it appears that *increasing domestic content* will result in an *increase in overall U.S. jobs*. See 47 Fed. Reg. at 7,246. In addition to evaluating the positive effects of increasing domestic content, however, NHTSA also evaluates, to the extent possible, potential adverse employment effects as well. The following subsections summarize the information required by the Agency before granting the fleet-split exemption.

**1. Projected Model Type, U.S. Sales and Cost Information  
(49 C.F.R. § 526.2(a))**

To the extent possible, Nissan has included the information required by NHTSA in 49 C.F.R. § 526.2(a)(1)-(3) in the tables attached in Appendix I. To the extent possible, the tables in Appendix I project Nissan’s model type information based on Nissan’s current 2003 fleet mix and production plan based on the assumption that changes will be required due to CAFE impacts. Appendix I, Table B provides a detailed description of the vehicles Nissan plans to sell in the United States during the exemption period (*i.e.*, model years 2006–2010) and the model year proceeding the exemption period (*i.e.*, model year 2005) as required by § 526.2(a)(1), including car line designation, engine displacement and type, transmission type, and average fuel economy. Appendix I, Table C estimates the projected U.S. sales of those vehicles for model years 2005–2010 as required by § 526.2(a)(2). The subtotals per model type contained in Table C are also based on current projections. Finally, Appendix I, Table D contains the average percentage of the cost of the domestic content of those vehicles and the total manufacturing cost per vehicle, as required by § 526.2(a)(3).

Appendix I, Table A summarizes all of the information required in § 526.2(a)(1)-(3). In the majority of cases, the furthest that Nissan can project into the future is model year 2008. The information included in Appendix I demonstrates that the exemption will facilitate increased domestic content by allowing continued expansion of U.S. sales, particularly of passenger cars such as the Altima and Maxima, as well as several of the light trucks, that are produced in the United States.

The regulations also require that Nissan describe the extent to which increases in the Company’s sales—either in new or expanded lines—might be expected to be gained at the expense of current domestic manufacturers. See 49

C.F.R. § 526.2(a)(4). Given that the sales projections in Appendix I are projected so far forward in the future, the Company is unable to provide the exact demographics detailing the markets from which increased sales will come. For the most part, however, Nissan expects that its passenger vehicle fleet, for which it is seeking the exemption, will continue to attract “import buyers,” or consumers that tend to predominantly purchase “non-domestic” vehicles. See *infra*, Section III.C.2. Some vehicles, such as the new Infiniti line of passenger vehicles, may capture sales from traditional “luxury” imports such as BMW and Mercedes. See *Automotive News, Nissan, Infiniti Transaction Prices Rise; Consumers Favor Richer Vehicle Mix* (Nov. 3, 2003) (“...five years ago Infiniti buyers were stepping up from Honda, Nissan and Toyota . . . Now they’re buyers who are cross-shopping Mercedes, BMW and Lexus. . .”); see also *The Wall Street Journal* at D5, *Nissan’s Infiniti Is Rolling Out New Version of Upscale Sedan* (Oct. 28, 2003). Other Nissan vehicle sales will draw from producers other than domestic manufacturers, such as the [ ], which, based on marketing projections, will draw buyers of [ ]

[ ]. Finally, the [ ] is expected to draw a significant amount of sales from non-domestic sources, such as from [ ].

Section III.C.2 below further expands on the potential employment impact of captured sales directly related to the exemption. In that section, utilizing the same conservative set of assumptions relied upon by NHTSA in granting the VW exemption, Nissan estimates the potential employment impact of any shift in sales, and demonstrates that, overall, the exemption will result in a positive impact on employment.

## **2. Employment Information (49 C.F.R. § 526.2(b))**

NHTSA’s regulations also require projected information on Nissan’s total manufacture-related employment in the United States for each model year of the exemption, as well as the model year proceeding the exemption period (i.e., from 2005 – 2010). See 49 C.F.R. § 526.2(b). While accurate and precise figures are difficult to project so far into the future, Nissan has conducted an analysis based upon practices previously used by the Agency. Specifically, in deciding to grant the VW exemption, NHTSA utilized economic information presented by VW on the relationship between domestic vehicle production and employment in the United States. <sup>16/</sup> The relationship between production and employment relied upon by

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<sup>16/</sup> VW cited expert testimony by Wassily Leonard from hearings before the House Banking, Currency and Housing Committee’s Automobile Industry Task Force in 1975, stating that the “production of 200,000 vehicles with 100% domestic content will generate approximately 50,000 direct and indirect jobs in manufacturing.” VW Petition at 3.

NHTSA for the VW exemption—based on testimony given in 1975—is outdated and no longer an accurate reflection of U.S. automobile production efficiency, capacity and employment. However, a similar formula or mechanism can be derived from the statistics maintained by the Department of Labor and recently summarized by DOC's Office of Automotive Affairs in the *Road Ahead Report*.

The DOC estimates that, across the industry, the average number of vehicles assembled per U.S. production worker was 53.1 in 2002. *See Road Ahead Report* at 18-19. This production rate translates into a ratio of approximately 1,890 production jobs 17/ for every 100,000 vehicles produced in the United States. Although manufacturing plants within the United States have varying levels of production capacity and efficiencies, DOC's production rate of 53.1 vehicles assembled per worker is very similar to the rate currently experienced by Nissan at its domestic plants. Nissan's current production rate can be determined by dividing the total number of vehicles produced in the U.S. in fiscal year 2003 [

] 18/ by the total number of production workers employed by Nissan in the U.S. in fiscal year 2003 [ ]. 19/ Based on this formula, Nissan's production rate for fiscal year 2003 is therefore [ ] vehicles assembled per production worker, which is very similar to the DOC's rate of 53.1 vehicles per worker.

While Nissan would feel confident having NHTSA rely on the DOC's production rate to project future employment impacts of increased domestic production, the Company suggests that the rate is not likely to remain constant over the period for which the exemption is sought. According to the DOC, efficiency of automobile production in the United States is steadily improving every year. *See id.* at 18. In fact, since 1997, the production rate has increased dramatically by nearly 10 units per worker. *See id.* Clearly, in the 20 years since VW's petition for the exemption, the production rate has increased by orders of magnitude—given that the formula used by NHTSA in 1981 resulted in a rate of only 4 vehicles produced per worker. Therefore, Nissan believes that the DOC rate should only be

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17/ The rate of 53.1 vehicles per production worker does not address salaried workers, such as managers, marketing employees or engineers. Although Nissan believes that NHTSA should consider the impact on salaried employment, as well as on manufacturing-related production employment, the Company is aware of the statutory language of § 32904(b)(6) and limits its employment discussions to "production" workers.

18/ As noted above, NNA expects [ ] vehicles to be produced and assembled at the Smyrna, Tennessee plant and [ ] vehicles to be produced and assembled at the Canton, Mississippi plant in fiscal year 2003 (i.e., from April 1, 2003 – March 30, 2004).

19/ As noted above, NNA estimates that Nissan will employ [ ] production workers at its Smyrna plant, [ ] at its Decherd facility, and [ ] at its Canton plant by the end of fiscal year 2003.

used to suggest generic trends, as opposed to projecting specific employment capabilities.

That said, by using the production rate per employee as estimated by the DOC, combined with Nissan's projected U.S. sales, it is possible to determine an approximate number of employees, in manufacturing-related jobs, for each model year during the exemption period. As already noted above, as Nissan continues to increase sales within the United States, the Company also plans to increase localization of production. While nearly [ ] of vehicles sold in the U.S. are currently domestically produced, Nissan plans to increase this percentage to approximately [ ] by model year 2008, fluctuating between [ ] in the model years 2005–2007. As provided in Appendix I, Nissan speculates that it will reach [ ] vehicles sold in the United States by model year 2008, which would translate into approximately [ ] vehicles produced in the United States, over [ ] more vehicles than Nissan currently produces in the United States. Utilizing DOC's production rate, Nissan could potentially employ over [ ] production workers, assuming for these purposes that Nissan receives the fleet-split exemption, that the Company's domestic sales and production continue to increase at the projected rate, and that production capability and efficiency remain static. Thus, Nissan's domestic expansion and increase in domestic production facilitated by the fleet-split exemption could potentially result in thousands of additional manufacturing-related jobs in the United States.

### **3. How the Information Provided by Nissan Would Differ Without the Fleet-Split Exemption (49 C.F.R. § 526.2(c))**

The regulations also require this petition to include a description of how the information provided under Section III.B.1 (including in Appendix I) and Section III.B.2 would differ should the petition be denied. *See* 49 C.F.R. § 526.2(c). Out of necessity, the description required by § 526.2(c) relies on information that is fairly speculative and for which well-defined data are not available. Thus, the required description is not included in Appendix I; rather, the description required by § 526.2(c) is provided here. To the extent possible, Nissan attempts to indicate how the Company's product plan and component sourcing decisions, and subsequently Nissan's ability to increase employment of United States workers, would be adversely affected by the Agency's denial of the petition.

In its long-range planning and projections, Nissan has considered several options for addressing CAFE compliance issues should NHTSA deny its petition. None of the projected alternatives provides a cost-effective method of addressing the CAFE dilemma resulting from the implementation of the NAFTA provisions without a major restructuring of current production and expansion plans. First, the Company could pay the penalties associated with non-compliance with CAFE requirements. For a variety of reasons, however, including economic considerations and publicity, Nissan is not likely to pursue this option.

Second, Nissan could decrease local production of the Sentra, which as noted above currently is produced in Mexico with considerable value added in the United States—the Sentra currently has [ ] domestic content level. In model year 2005, at which time Mexican content will be considered “domestic,” the domestic content of the Sentra will increase to [ ]. Nissan has considered a plan under which the domestic content of the Sentra would be decreased from the projected [ ] in model years 2006–2010. By decreasing the domestic content of the Sentra, Nissan could keep that car within its import fleet and reduce CAFE penalties. The impact of this option would be a decrease in the use of U.S.-made components, such as radiators, air conditioners, suspensions, and engine parts. There could be a corresponding decrease in U.S. employment for the American suppliers of these components. In addition to decreasing use of U.S.-made components, Nissan would likely outsource production out of Mexico, which would lead to significant NAFTA penalties for such a decrease in production.

A third option would be to reduce local content of the Altima and Maxima. Again, by decreasing these vehicles’ domestic content, the Altima and Maxima could become part of Nissan’s import fleet and reduce CAFE penalties. Nissan has considered a plan under which domestic content of the Altima and Maxima would be decreased to approximately [ ] in model years 2006–2010. The reduction in U.S. content of the Altima and Maxima will directly impact U.S. employment, since those vehicles are produced at Nissan’s Smyrna, Tennessee plant, and their engines are produced at Nissan’s Decherd, Tennessee plant. Thus, decreasing the domestic content of these vehicles will cause a corresponding decrease in U.S. employment at these plants. In addition, as noted above, Nissan expects to launch several other model types, including the Altima sedan, at its new Canton, Mississippi plant beginning in 2004. Any decrease in future domestic Altima production, therefore, also would have a negative impact on employment at the Canton plant. We note that in evaluating the impact of the VW exemption, the Department of Labor (“DOL”) found that termination of the exemption would probably result in a “net loss of American jobs as [VW] decreases its domestic content in order to allow averaging in its imported cars.” See Letter from Michael Baroody, Assistant Secretary for Policy, DOL, to Diane Steed, Administrator, NHTSA (Dec. 12, 1985). The identical result would be expected should NHTSA deny Nissan’s petition. Accordingly, none of the alternatives to the petition provides a cost-effective solution that otherwise allows Nissan to move forward with current production and expansion plans. 20/

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20/ In addition to the alternatives described above, Nissan also considered “correcting” the import/domestic CAFE imbalance by altering Japanese production of passenger vehicles without affecting U.S. production. Planned model line designations and production capacity limitations, however, make such dramatic alteration of the non-domestically produced fleet impractical and ineffective.

**C. The Exemption Will Not Give Nissan a Competitive Advantage Over Domestic Manufacturers**

In promulgating the procedures for the exemption petition, NHTSA reasoned that employment reductions "could occur if, for example, granting the exemption resulted in the petitioners capturing increased sales from current U.S. manufacturers whose vehicles have a higher domestic content." 47 Fed. Reg. at 7,246. Indeed, at least one domestic manufacturer opposed the VW exemption on the basis that "approving [VW's] petition could place domestic manufacturers at a competitive disadvantage" and displace the sales of domestic manufacturers, thereby leading to a decline in domestic employment. Letter from T. Fisher, Director, Automotive Emission Control, General Motors ("GM"), to Michael Finkelstein, NHTSA (Oct. 2, 1981) (hereinafter "GM Comments"). In granting the VW exemption, NHTSA thoroughly examined the concerns of domestic manufacturers and determined that they were unfounded. 46 Fed. Reg. 54,453. NHTSA later stated that "in most instances, increasing U.S. content for one company should produce net increases in overall U.S. employment." 47 Fed. Reg. at 7,246 (emphasis added).

As noted above, Nissan seeks the current fleet-split exemption primarily to maintain existing domestic production levels of its Sentra model in North America. The NAFTA provisions giving rise to the need for filing of this petition are entirely not within the control of the Company and were not intended to discourage domestic production. Granting Nissan an exemption from the fleet-split provisions would merely maintain current domestic production levels and would not, in itself, give Nissan a competitive advantage over other manufacturers. To the extent that the exemption will facilitate the expansion of domestic production in the United States, such expansion is precisely the reason that the exemption was created. That Nissan may be more competitive than domestic manufacturers in the United States is, in many instances, already the case and will not increase or decrease because of the fleet-split exemption. The supporting information provided by Nissan demonstrates that the exemption will not result in a competitive advantage for the Company. The VW experience and history surrounding the exemption further indicate that the exemption will not result in a competitive advantage.

**1. The VW Experience Demonstrates the Unlikelihood of a Competitive Advantage Resulting from the Exemption**

The VW experience has proven NHTSA to be correct and confirmed that domestic manufacturers' concerns regarding displaced sales resulting from the exemption were not supported by the weight of the evidence. In the Agency's Regulatory Evaluation document for the VW exemption, NHTSA concluded that it "could not identify any significant or unfair disadvantage GM, Ford, or Chrysler will suffer because of the civil (CAFE) penalty exemption on VW's imports." NHTSA,

Regulatory Evaluation – Volkswagen of America: Exemption From Automotive Fuel Economy Requirements, at 29-32 (Oct. 1981) (hereinafter the “VW Decision”).

After granting VW the fleet-split exemption, NHTSA re-evaluated VW's petition in the Agency's Annual Automotive Fuel Economy Program Report to Congress for every fiscal year until VW ceased U.S. production. <sup>21/</sup> Specifically, NHTSA reviewed the impact that the exemption was having on the U.S. job market for automobile manufacturing. From 1983-1988, the Reports concluded: “There is no reason, at present, to change the 1981 findings of NHTSA that granting [VW's] petition will promote employment in the U.S. automobile industry without causing undue harm to domestic manufacturers.” *See, e.g.*, 48 Fed. Reg. 27,629, 27,631 (1983). Similarly, DOL, in conducting its annual review of the exemption impacts as required by 49 U.S.C. § 32916, found “no evidence that the exemption granted to [VW] has hurt U.S. employment or our domestic automobile industry.” *See, e.g.*, Letter from Michael Baroody, Assistant Secretary for Policy, DOL, to Diane Steed, Administrator, NHTSA (Dec. 12, 1985). <sup>22/</sup> DOL further concluded that a termination of the exemption would probably result in a “net loss of American jobs as [VW] decreases its domestic content in order to allow averaging in its imported cars.” *Id.* Despite GM's concerns that VW's exemption would lead to displaced sales and reduced employment by domestic manufacturers, for six years in a row, the reviewing Agencies found no evidence of such undue harm. Nissan believes a similar outcome will result in the granting of the Company's current petition. In fact, Nissan believes that the current situation is even less likely to result in displaced sales and reduced employment by domestic manufacturers since, as noted above, the Company primarily seeks to maintain the status quo—i.e., keeping the Sentra manufactured in Mexico as part of Nissan's non-domestic fleet. Accordingly, since granting of the petition will not displace sales or reduce employment by the domestic manufacturers, NHTSA should grant Nissan's petition.

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<sup>21/</sup> Specifically, the Secretary evaluated fiscal years 1982-1987. *See* 53 Fed. Reg. 10,194, 10,199 (1988) (evaluating the exemption for fiscal year 1987); 52 Fed. Reg. 10,841, 10,846 (1987) (evaluating the exemption for fiscal year 1986); 51 Fed. Reg. 6,341, 6,346 (1986) (evaluating the exemption for fiscal year 1985); 50 Fed. Reg. 11,981, 11,986 (1985) (evaluating the exemption for fiscal year 1984); 49 Fed. Reg. 30,404, 30,406 (1984) (evaluating the exemption for fiscal year 1983); 48 Fed. Reg. 27,629, 27,631 (1983) (evaluating the exemption for fiscal year 1982).

<sup>22/</sup> *See also* Letter from John Cogan, Assistant Secretary for Policy, DOL, to Courtney Price, NHTSA (Jan. 28, 1983); Letter from Daniel Benjamin, Acting Assistant Secretary for Policy, DOL, to Diane Steed, Administrator, NHTSA (Feb. 3, 1984); Letter from Everson Hull, Deputy Assistant Secretary for Policy, DOL, to Diane Steed, Administrator, NHTSA (Dec. 12, 1984); Letter from Michael Baroody, Assistant Secretary for Policy, DOL, to Diane Steed, Administrator, NHTSA (Dec. 1, 1986); Letter from Michael Baroody, Assistant Secretary for Policy, DOL, to Diane Steed, Acting Administrator, NHTSA (Nov. 18, 1987).

## **2. Granting Nissan the Exemption Will Not Significantly Displace Sales of Domestic Manufacturers**

Even if granting of the petition facilitates increases in Nissan's domestic production, the Company does not believe this will have any significant impact on the sales of domestic manufacturers. Specifically, NHTSA's previous analysis on the impacts of the VW exemption demonstrates that no significant competitive advantage is likely to result from granting Nissan the fleet-split exemption. In commenting on the VW petition, GM expressed concern that "without the constraint of the civil penalties that would occur with separate fuel economy standards, the sales of [VW's] imported vehicles could increase and potentially decrease U.S. employment." GM Comments, at 2. Although NHTSA noted that it was more difficult to measure the possible adverse employment impacts associated with any potential competitive advantage conferred by a grant of VW's exemption, the Agency calculated that the net impact of potential employment by VW far outweighed the greatest potential loss in U.S. jobs that domestic manufacturers might suffer. See 46 Fed. Reg. at 54,454; VW Decision, at 29-32.

Utilizing extremely conservative assumptions, NHTSA analyzed the number of sales that domestic manufacturers could capture if VW was denied the exemption and forced to perform separate fleet CAFE calculations. See 46 Fed. Reg. at 54,454. Assuming that VW would incur CAFE penalties for not meeting CAFE mpg standards with one or both of its fleets (following the separation of its fleet into "domestic" and "imports"), NHTSA calculated the number of sales that VW would lose if it had to pass those penalties on to the consumer and increase the purchase price of its vehicles. NHTSA determined that VW would suffer a sales loss of not more than 1,500 units, which was at the time the equivalent of 400 jobs. See *id.* The Agency reasoned that if U.S. manufacturers could have captured all of these sales (which NHTSA noted was highly unlikely given consumer preferences), then granting VW the exemption could cause the U.S. auto industry to lose, at most, the opportunity to make those sales and employment gains. See *id.* Compared to the potential net impact of U.S. jobs added by VW receiving the exemption, the Agency concluded that "the U.S. employment benefits associated with increasing the domestic content of the U.S.-built Rabbits would greatly outweigh any U.S. employment loss resulting from a slightly lower retail price for VW's imported fleet." *Id.* Accordingly, NHTSA granted VW's petition because, overall, it would have a positive impact on net employment in the United States.

Likewise, granting Nissan the exemption will have a positive impact on net employment and will not, itself, reduce the sales of domestic manufacturers. Assuming Nissan does not obtain the exemption, and assuming that Nissan does not elect to decrease domestic production of the Sentra, Altima or Maxima, the Company would expect to incur approximately [ ] in CAFE penalties in model year 2006 and [ ] in model year 2007, assuming CAFE standards

stayed the same. <sup>23/</sup> Such penalties, spread equally over Nissan's import models, would translate into an additional cost per vehicle of [ ] and [ ] in model years 2006 and 2007, respectively. Assuming the Company passed the cost directly to the consumer as an addition to the manufacturer suggested retail price, the additional costs could result in a maximum potential loss of [ ] sales in model year 2006 and [ ] in model year 2007. Due to the fact that Nissan purchasers typically prefer import vehicles, it is unlikely that domestic manufacturers would capture these lost sales. Assuming, however, that domestic manufacturers could capture 100% of these potentially lost sales, the maximum potential advantage that domestic manufacturers could obtain would be to gain all of Nissan's expected lost sales (e.g., [ ] in 2006 MY and [ ] in 2007 MY).

Using DOC's production rate described above in Section III.B.2, capturing Nissan's lost sales would correspond to at most [ ] new jobs in 2006 MY and [ ] new jobs in 2007 MY for domestic manufacturers. Comparatively, with the fleet-split exemption, Nissan's continued expansion has the potential to result in the addition of thousands of jobs by 2010, assuming productivity remains constant and projected U.S. sales and production are realized as discussed in Section III.B.2. In addition, if Nissan does not receive the exemption, it is more likely that Nissan would alter domestic production, rather than incur CAFE penalties, which would result in an additional reduction in employment. Clearly, even the most conservative assumptions in favor of domestic manufacturers indicate that the fleet-split exemption will result in a net increase in employment and will not significantly displace the sales of domestic manufacturers.

In the VW Decision, NHTSA also determined that consumers who seek to purchase an imported vehicle are not likely to shift to a domestic competitor, even if the cost of the imported brand increases due to the imposition of CAFE penalties. As NHTSA stated,

There appears to be such a phenomenon as the 'import buyer.' Even within the same market segment, the demographics of import buyers . . . are significantly different than the demographics of domestic purchasers. . . Therefore, any reduction in VW's imports will not automatically increase domestic built U.S. sales on a one-for-one basis.

VW Decision, at 10-11. Consequently, NHTSA reasoned that there was a strong likelihood that other foreign manufacturers would capture a substantial portion of VW's lost sales, rather than domestic manufacturers. *See* 46 Fed. Reg. at 54,454.

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<sup>23/</sup> Clearly, Nissan's CAFE penalties and costs would increase if the standard were raised. Currently, the Company has not projected potential CAFE penalties beyond 2007.

The same concept applies to the current situation. Studies show that there is “a growing American preference for foreign vehicles,” and “once customers turn away from Detroit, they’re hard to win back.” *Automotive News* at 26BB, *Foreign Makers Have Taste Americans Crave; Surveys Show Once Buyers Bail on Big 3, They Rarely Return* (Jan. 14, 2002). Thus, would-be Nissan purchasers are unlikely to purchase domestic vehicles, and would most likely turn to other Japanese vehicles if Nissan’s were unavailable. *See also* Business Wire, *Vertis Customer Focus 2002 Survey Identifies Trends Among Automotive Shoppers* (Oct. 7, 2002) (noting that “[t]he public’s interest in some American cars continues to wane,” while in contrast, the popularity of foreign cars continues to grow). Even if the exemption was denied and Nissan chose to continue domestic expansion and incur CAFE penalties, it is unlikely that domestic manufacturers would capture any increase in sales from those lost by Nissan.

We note that in many respects Nissan already may be more competitive than domestic manufacturers in the United States, and this will not increase or decrease because of the fleet-split exemption. For example, Nissan will soon sell about one million vehicles a year in the United States due to increased production capacity and exploring new market segments. *See* Reuters, *Nissan Sees 1 Million in Annual U.S. Vehicle Sales* (Oct. 14, 2003); *Automotive News*, *Nissan Predicts 1 Million Sales in U.S.* (Nov. 10, 2003). Nissan’s dramatic economic recovery over the past four years has been called the “global auto industry’s greatest success story.” *See* The Detroit News, *Leadership, Bold Moves Help Renault Save Nissan* (Oct. 24, 2003). At the same time that Nissan is expanding its sales and products, surveys show that U.S. automakers rate “below industry average,” while foreign competitors such as Nissan receive “the highest marks for appeal and performance.” *See* The Washington Post, *U.S. Automakers Lag in Survey* (Oct. 8, 2003). Thus, any competitive advantage enjoyed by Nissan exists completely independent of the fleet-split exemption.

### **3. Limitations on the Fleet-Split Exemption Negate Any Competitive Advantage that Could Result from the Exemption**

The legislative history of the exemption provision demonstrates that Congress, at the behest of domestic car manufacturers, tempered any competitive advantage that the exemption could create by including several limitations on the exemption. For example, non-domestic manufacturers that obtain an exemption from the fleet-split requirements cannot take advantage of the credit provisions of the bill. *See* 49 U.S.C. § 32904(b)(8). The statute also limits the exemption to five years, although NHTSA has the discretion to alter the time period, and only permits manufacturers that engaged in domestic production prior by 1985 to petition for the exemption. *Id.* § 32904(b)(6). In addition, NHTSA and DOL must monitor the effects of the provision and report to Congress annually to ensure that U.S. employment does not decrease. *Id.* § 32916. According to the House Report,

“[t]he limitation on the eligible manufacturers, the requirement for a finding by DOT, the elimination of the carryback-carryforward benefits for those manufacturers, the period of time, and the annual report requirement should meet the concerns of domestic manufacturers.” H. Rep. 96-1026 at 16. Nissan maintains that no competitive advantage will result from NHTSA’s granting of the exemption. Regardless, the statutory provisions preventing the carryback and carryforward of CAFE credits and the other limitations on the exemption virtually guarantee that no undue competitive advantage will result.

#### **IV. GRANTING NISSAN THE EXEMPTION IS SOUND PUBLIC POLICY**

In addition to meeting the statutory and regulatory standards for granting the exemption, a number of public policy factors, including those considered by NHTSA in granting the VW exemption, favor granting Nissan the exemption. As discussed further below, granting of the exemption will benefit the U.S. economy without significantly impacting the environment.

##### **A. Granting the Exemption Will Provide Important Economic Benefits to the United States**

As described above, granting Nissan’s exemption petition will enable the Company to move forward with its plans for increased production at its plants in Mississippi and Tennessee, and in particular, working toward its goal of localization of manufacture. Such localization will benefit the states of Mississippi and Tennessee directly, as well as the United States on a whole. A study conducted in 1998 by the University of Michigan detailed the significant contributions to the U.S. economy and to the economies of individual states that result from increasing local production by foreign manufacturers. See University of Michigan Transportation Research Institute, *The Contribution of the International Auto Sector to the U.S. Economy* (1998), available at <http://www.osat.umich.edu/economic.html#Contribution>. Local production by foreign manufacturers yields significant economic benefits—through direct and indirect employment, dealer activities, and “spin-off” activities such as purchases from domestic suppliers of raw materials and spending by employees—and noneconomic benefits—such as training of employees and community social involvement—for the states in which those manufacturers establish operations. See *id.* at 13–48. Nissan’s increased localization clearly will benefit the economies of Tennessee and Mississippi, as the Company provides employment opportunities for workers and invests in the states’ economies.

Nissan has a long history of domestic production of both passenger vehicles and light trucks and has made significant investments in the United States and in North America. Since production began at the Smyrna, Tennessee plant in

1983, Nissan has invested over \$1 billion dollars in the Smyrna plant alone. See *Nissan: Truck History* (Attachment II-1). Overall, between Smyrna and Decherd, Nissan has invested \$2.75 billion in Tennessee. In May 2003, Nissan opened its new \$1.43 billion production plant in Canton Mississippi. See *Smyrna Press Release* (Attachment II-4). As noted above, Nissan already employs nearly [ ] workers at its Smyrna, Tennessee vehicle production plant, over [ ] workers at its Decherd, Tennessee engine plant, and nearly [ ] workers at its Canton, Mississippi production facility. In addition, approximately [ ] independent contractors and suppliers support production at these plants, a number which will likely increase to approximately [ ] in fiscal year 2004. The number of indirect contractor and supplier jobs will only increase as Nissan continues to expand production. See University of Michigan Center for Automotive Research, *Economic Contribution of the Automotive Industry to the U.S. Economy – An Update* at 13–14 (Fall 2003) (stating that for every direct automotive manufacturing job, 2.9 indirect (supplier) jobs and 6.6 spin-off (expenditure-induced) jobs are generated), available at [www.autoalliance.org/pressreleases/car\\_study\\_2003.pdf](http://www.autoalliance.org/pressreleases/car_study_2003.pdf). As discussed above in Section III.A, the expansion of production capacity at these facilities that will be facilitated by granting Nissan the fleet-split exemption petition could potentially add thousands of jobs and result in significant increases in local investment in the coming years. These employment opportunities and the accompanying local investment provide significant economic benefits to the United States, especially in the states of Mississippi and Tennessee.

#### **B. Granting the Exemption Will Not Produce Any Significant Environmental Impact**

To the extent that the exemption will allow Nissan to maintain current production levels, no environmental impacts should result from maintenance of the status quo. To the extent that the exemption will facilitate increased domestic production in the future, NHTSA's previous Environmental Assessment for the VW petition indicates that any measurable impact that increased production has on the environment is insignificant and will be outweighed by the potential increase in employment. In the VW analysis, NHTSA conducted an Environmental Assessment and determined that granting the petition would "have no appreciable effect on the environment due to increased vehicle manufacturing" at VW's plants. NHTSA, *Environmental Assessment for Volkswagen of America Petition for Exemption from Certain Automotive Fuel Economy Requirements*, at 3 (Nov. 9, 1981). NHTSA evaluated three alternatives: granting VW's petition, denying it, or granting it for a limited time. See *id.* After examining the environmental impacts that could result from increased manufacture—including increased noise levels, increased energy consumption, and increased hazardous wastes production—NHTSA concluded that "the potential employment benefits associated with granting the petition for an indefinite period outweigh the relatively minor environmental effects." *Id.* at 4. The Agency further reasoned that the exemption from separate

fleet calculations would merely preserve the environmental status quo with regard to fuel economy and allow VW "to continue to average their imports with their U.S. produced vehicles in the computation of CAFE." *Id.* at 9. Finally, in the VW exemption, NHTSA concluded that the Environmental Assessment was sufficient to determine no significant impact and that a full scale Environmental Impact Statement was unnecessary.

The principal impact of granting this petition would be to promote increased U.S. manufacturing operations and employment, a positive economic impact with fairly small adverse environmental impacts. Therefore, this action does not constitute a 'major Federal action significantly affecting the environment' requiring an environmental impact statement.

46 Fed. Reg. at 54,454.

Nissan believes that NHTSA's environmental analysis of the VW exemption should also apply to Nissan. Specifically, like the VW exemption, the principal impact of granting the petition would serve to promote a greater increase in U.S. manufacturing, and correspondingly, employment in the automotive manufacturing sector. Moreover, promoting increased employment in the United States through Nissan's new and expanded facilities will have a positive outcome for the environment in that the new production facilities consolidate processes and conserve energy by employing state-of-the-art technology, such as high-efficiency cogeneration systems that lower greenhouse gas emissions at plants. See Attachment II-6, Nissan, *Manufacturing: Promoting Energy Saving* (2003) (describing the environmental impacts of the improved productivity and efficiency of Nissan's new plants). <sup>24/</sup> In addition, the environmental safeguards incorporated into the permitting process for any plant expansion or construction will help to ensure that there are no adverse environmental impacts associated with any expansion or construction of Nissan production facilities. For example, stormwater and hazardous waste prevention plans, as well as air permitting procedures under Title V of the Clean Air Act and the continuous air-monitoring program require actions to prevent accidental or significant impacts on the environment.

In addition to compliance with environmental laws, Nissan has taken a number of specific steps to reduce environmental impacts of both its foreign and domestic facilities. For instance, in its worldwide production facilities, Nissan has made a tremendous effort to sort and recycle wastes, achieving the Company's goal of zero waste for reclamation from plants and business offices to landfills. See *id.*

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<sup>24/</sup> For more information on Nissan's strategies for minimizing environmental impacts, see Attachment II-7, *Nissan Environmental & Social Report 2002* (August 2003).

(Nissan's target was to reduce the weight of waste going directly to landfills to less than 1.5% compared to 1990 levels). In the United States, Nissan's Canton plant has installed regenerative thermal oxidizer afterburners, which assist in the abatement of volatile organic compounds, hazardous air pollutants ("HAPs"), carbon monoxide and odorous pollutants. Canton also has adopted measures such as the use of waterborne primer-surfacer, waterborne base coats and waterborne fascia adhesion promoter, and utilizes low-HAP coatings. At Nissan's Smyrna plant, waterborne base coats and low-HAP coatings also are used. Finally, both the Smyrna and Decherd plants follow the voluntary ISO 14000 environmental standards, which identify all environmental impacts and define specific procedures for managing those impacts. Such improvements and conservation efforts will result in even fewer environmental impacts, despite increased production, than those minimal impacts experienced from VW's increased production. Accordingly, Nissan does not anticipate any significant environmental impact resulting from the fleet-split exemption.

## **V. NISSAN MEETS THE PURPOSE OF THE FLEET-SPLIT EXEMPTION**

### **A. Congress Created the Exemption Process to Encourage Foreign Manufacturers to Produce Vehicles Domestically**

An examination of the legislative history of the fleet-split exemption demonstrates that Nissan clearly meets the purpose of the exemption—to encourage domestic production and thereby protect U.S. jobs. After passage of the original CAFE statute in 1975, it became clear that the fleet-split provision was not meeting its intended purpose of protecting U.S. jobs. In fact, in many cases the fleet-split requirement had the opposite effect by discouraging foreign manufacturers from increasing domestic production. Because the statute implementing CAFE defines domestic manufacturing as having 75% or more local value added content, separate fleet calculations are triggered once one model is comprised of at least 75% of parts made in the United States. The fleet-split requirement, therefore, provided an incentive for foreign manufactures to keep domestic content below 75%, even if market conditions would favor an increase in domestic content production.

The Senate Report accompanying the 1980 legislation outlined the problem:

A foreign manufacturer, desirous of establishing U.S. production of one or more of its product lines, would be persuaded by the foregoing provisions to hold the domestic value added content below 75 percent in order to continue to combine such partially U.S. produced automobiles with its completely imported vehicles in a

single fleet for purposes of meeting CAFE standards. ... While desirous of maximizing domestic value added well above 75 percent, such action, under present law would force separation of its total U.S. sales volume into two fleets.

S. Rep. 96-642, at 6. Similarly, the House Report stated:

A foreign manufacturer which begins domestic production of automobiles can therefore combine his domestic and foreign fleets only if he keeps the local content of his U.S. automobiles at less than 75 percent. Existing law, therefore, tends to discourage the use of U.S. materials in these autos.

H. Rep. 96-1026, at 14-15 (1980). Congress determined that the economic impact from the fleet-split requirement was significant. The Senate Report contained one calculation by Volkswagen estimating that each percentage point of domestic value added to its U.S. production would initially create 500 additional U.S. jobs, a number which was likely to increase over time. See S. Rep. 96-642, at 6.

Consequently, the exemption provision was added in 1980 to foster U.S. employment and production in the automobile industry without compromising the CAFE program. The Senate Report named Volkswagen as one specific manufacturer that would avail itself of the new law, and indicated that other large Japanese automobile manufacturers such as Honda would also "be sufficiently affected by this amendment to consider establishment of U.S. production of one or more of their best selling models." S. Rep. 96-642, at 7. The House Committee Report noted that "[o]ther Japanese firms are also being encouraged by the [United Auto Workers] and the President to follow the Volkswagen example." H. Rep. 96-1026, at 15.

Congress passed the exemption provisions because it wanted "to create jobs, but it also want[ed] to protect existing job opportunities . . . ." *Id.* at 15. The House Report most succinctly summarizes the purpose of the exemption provision, stating that the exemption was "designed to provide incentives to new domestic manufacturers to increase the local content of their vehicles, as recommended by DOT. It is a 'job related' provision." *Id.* at 14. The Joint Explanatory Statement in the Conference Report for the final version of the legislation further explains that the exemption was created to "encourage increase of the domestic value added content in labor and materials of foreign automobiles sold in the United States." Conf. Rep. 96-1402 at 11 (1980).

Hearing testimony on the Automotive Fuel Efficiency Act of 1980 before the House Interstate and Foreign Commerce Committee's Subcommittee on

Energy and Power further supports Nissan's exemption. In his March 28, 1980 testimony, Howard Paster, the legislative director of the United Auto Workers, stated:

In order to encourage these foreign concerns to not only locate in the United States but also to achieve a high level of U.S. content in their finished products, it is necessary for them to have a single CAFE combining relatively efficient high volume models produced in the United States with less efficient lower volume models produced abroad. . .

In the case of foreign companies, it is necessary to achieve this goal with the proposed amendment. We are convinced this legislation will increase U.S. employment while increasing the availability of relatively fuel efficient autos built by U.S. workers with U.S. produced parts, steel, rubber, et cetera.

Comm. Rep. 96-162, at 156 (1980). In response to a question from Congressman Sharp regarding competitiveness of U.S. domestic automobiles, Mr. Paster further noted that:

Many of us are deeply concerned about this trend of last year with the increase in Japanese imports and the sense if that does not rectify itself we must take some action to guarantee we protect the American wealth and the American industrial base that is associated with automobiles, those investments and what not. Many of us feel there is a definite imbalance, not just in the figures but in the trade practices, between Japan and the United States, and we feel very strongly the Japanese should be looking to do as Volkswagen has done, so if you are going to sell them here in those kind of quantities, build them here.

*Id.* at 159. Just as Mr. Paster envisioned in 1980, Nissan intends to move towards increased localization of its manufacturing capability. Specifically, the Company seeks to not only sell automobiles in the United States, but also to build them here as well. The fleet-split exemption will facilitate this increased localization.

**B. Granting Nissan the Fleet-Split Exemption Will Encourage Domestic Production and Facilitate an Increase in Motor Vehicle-Related Jobs in the United States as Congress Intended**

Granting Nissan the fleet-split exemption meets Congressional intent by encouraging domestic production by a foreign manufacturer. Specifically, as outlined above, the exemption will allow Nissan to maintain existing domestic production levels of the Sentra, Altima and Maxima, while expanding corresponding engine production at the engine facility in Decherd, Tennessee. Without the exemption, Nissan would likely reduce domestic production of one or more of these vehicles—correspondingly reducing engine production as well—in order to avoid the creation of two different fleets and the risk of CAFE penalties. In addition, if NHTSA grants Nissan the exemption, the Company plans to continue to expand domestic production in its Tennessee and Mississippi facilities and to increase employment at those facilities. As projected above, Nissan's expanded domestic sales and production could result in thousands of additional jobs at its Mississippi and Tennessee plants during the period of the exemption. Clearly, encouraging an increase, rather than a decrease, in production at Nissan's U.S. facilities is exactly what Congress sought to accomplish with the creation of the fleet-split exemption.

**CONCLUSION**

To maintain the status quo of domestic production and to facilitate future increases in domestic production and employment, Nissan petitions NHTSA for an exemption from the fleet-split provision. As demonstrated above, Nissan is entitled to the exemption because it meets both the statutory standard and the legislative purpose for the exemption, and granting the exemption will not result in reduced motor vehicle-related employment in the United States. To the contrary, the exemption will allow Nissan to maintain existing North American production levels after the NAFTA provisions become effective in model year 2005. The exemption also will allow Nissan to continue to expand production levels in the United States. Nissan's continued expansion of U.S. production facilities will benefit the economies of Mississippi and Tennessee and increase U.S. jobs, without significantly impacting domestic manufacturers or the environment. Accordingly, NHTSA should grant Nissan the fleet-split exemption for the 2006–2010 model year time period or until circumstances remove the need for the exemption.



Appendix L, Table A

Summary of Regulatory Information Required by 526.2(a)(1-3):

[Confidential Business Information Redacted]

**Appendix I, Table B**

**Regulatory Information Required by 526.2(a)(1): Model Type Descriptions**

**[Confidential Business Information Redacted]**

**Appendix I, Table C**

**Regulatory Information Required by 526.2(a)(2): Projected US Sales**

**[Confidential Business Information Redacted]**

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**Appendix I, Table D**

**Regulatory Information Required by 526.2(a)(3):**

**[Confidential Business Information Redacted]**







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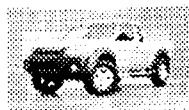
GUESTBOOK

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#### Nissan's Light and SUVs:



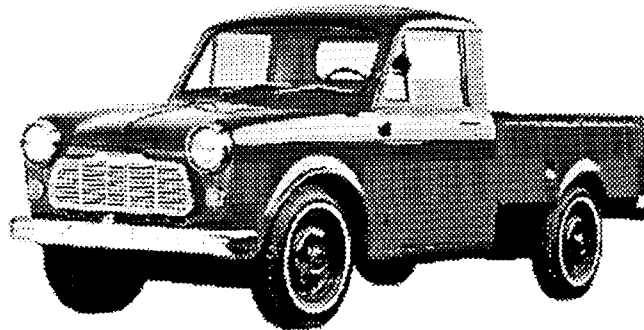
Nissan Frontier

[Renault] [Nissan Japan] [Nissan Europe]  
[Nissan Manufacturing] [Nissan Sales] [Infiniti Sales]

## Nissan: Truck History

### Nissan, the Company that Created the Compact Truck, Looks to the Past to Learn for the Future

Nearly 40 years ago, a small Japanese automobile manufacturer imported a new model to the United States. The Datsun Pickup was not just a new vehicle, it represented an entirely new concept and market - the compact truck. Today, compact trucks are among the best-selling vehicles in the United States and the world.



#### 1960 Datsun 1200 Pickup

The Datsun pickup, originally offered in 1959 with a 1000cc, 37-horsepower engine, was the first official Datsun model imported to the U.S. With a one-quarter ton payload the 1200 pickup quickly became popular with Japanese gardeners in Southern California, while planting the seeds of Nissan's U.S. sales arm.

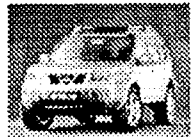
With the introduction of the newest Nissan pickups - the 2001 Frontier, in 14 different models featuring an available factory-installed supercharged V6 - Nissan continues its proud role as an industry innovator and leader.



Infiniti QX4



Nissan Pathfinder



Nissan Xtrail



Nissan Xterra

### **Related Topics:**

- NISSAN SELECTS  
CANTON, MISS., FOR \$930  
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[editor@autointell.com](mailto:editor@autointell.com)

"Over the past four decades, Nissan has shaped and reshaped the American truck market," said Bill Kirrane, vice president and general manager, Nissan Division, Nissan North America, Inc. "We plan to do the same through the next century and beyond."

### **First Out of the Box**

On the highways and byways of America in 1959, the landscape consisted of big, gas-guzzling behemoths from domestic manufacturers. Powerful V8 engines were the norm and the worth of a car was often measured by the size of its tailfins.

Onto this scene emerged the Datsun 1000 compact pickup truck - the first truck of its kind. Although the Datsun 1000 only featured a 1000cc, 37-horsepower four-cylinder engine and a quarter-ton load capacity, it was the precursor of better things to come. In immediate iterations, the engine size increased to 1200cc and horsepower to 60.

The revised Datsun 320 pickup hit the American shores in 1961, but it was the introduction of the Datsun 520 pickup in 1965 that caused a sales jump of then-historic proportions from a few hundred units per year to more than 15,000. In its first year, the Datsun 520 pickup became the top selling imported pickup in the United States - a title the company held onto for more than a decade.

### **Continued Innovations**

The success of the Datsun compact pickup drew the attention of other import manufacturers - and following the gas crises of the early 1970s - the domestic manufacturers as well. To stay ahead of entries like the Ford Courier and Chevy LUV, Datsun trucks continued to improve in handling, ruggedness, comfort and safety.

The company also developed a series of breakthrough innovations that have become standard in today's marketplace. In 1969, the Datsun truck became the first half-ton compact pickup; in 1975, Datsun trucks offered the first long beds; and in 1977, the first King Cabâ extended-cab compact truck became available. These latter two options became available during the lifecycle of the Datsun 620 pickup - the fourth generation of Datsun truck - which was in production from 1972 to 1979.

### **On to Tennessee**

An all-new pickup - the last to carry the Datsun name - appeared in 1979, and sales continued to soar. Thanks to this success, Nissan made a corporate decision to become the first importer to manufacture pickups in the United States.

After an extensive search, Nissan chose Smyrna, Tennessee, southeast of Nashville, as the site of the Nissan North America Manufacturing Smyrna & Decherd Tennessee Plant. In the past two decades, Nissan has invested more than one billion dollars into the plant and region, becoming a significant member of the Middle Tennessee business environment. Since the first Nissan pickup rolled off the Smyrna assembly line in 1983, more than 1.8 million trucks have been built at Nissan North America Smyrna & Decherd Tennessee Plant.

The sixth-generation truck, called the Hardbody, was unveiled in 1987 and was one of the company's best selling products, averaging 100,000-plus units annually.

The Frontier, introduced in 1997 as a 1998 model, continued this trend of innovation and ruggedness. Frontier features the largest standard bed of any compact pickup, a full array of features and options, including a powerful 6-cylinder engine, 4-wheel drive and an available King Cab cabin.

The 1998 Frontier took home the J.D. Power and Associates 1998 Initial Quality Study award for the fewest quality problems in its segment.

1998 was also a big year for Nissan's Tennessee Plant, which was awarded the most productive automobile plant title in North America for the fifth straight year by Harbour and Associates, a manufacturing management consulting and automotive research firm.

For the 2000 model year, two new versions of the Frontier were unveiled - the rugged 2-wheel drive Desert Runner and the groundbreaking Frontier Crew Cab, the first true 4-door compact pickup introduced to the U.S. market. Both vehicles have been huge hits at Nissan retailers since they went on sale in May of 1999.

Also making its debut in 1999 was the SUTÔ Concept Vehicle, a combination between a sport utility vehicle and pickup truck built on the Frontier chassis, which demonstrated to consumers what is possible in a truck to make their lives easier through design innovation.

### **2001, A New Frontier**

"Nissan has led the way in the compact pickup market for the last 40 years," said Kirrane, "and we don't plan on stopping anytime soon."

For 2001, the Frontier has received major enhancements, giving the vehicle a bold "industrial" appearance with all-new front-end sheet metal, new fascia, bumper, headlights and fog lights, as well as new fender flares, tailgate cover, wheels and tires and use of unique divot holes outlining the wheel arches.

Nissan's compact truck innovations will continue into the 2001 model year with a variety of firsts - including the first factory-installed supercharged engine offered on a compact truck. The supercharged V6, available in King Cab and Frontier Crew Cab models, produces 210 horsepower.

The 2001 Frontier went on sale in early August, with the supercharged model on sale in November.

Photos: Nissan

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[[Services](#)] [[Discussion](#)] [[Guestbook](#)] [[Search](#)]

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# Annual Report

Year Ended March 31, 2003



Nissan: Enriching people's lives



## Contents

- Financial Highlights
  - Letter from the President and CEO
  - Business Overview: Nissan: Once Again Among the Pacesetters
  - Nissan Management Way: Focus on the Quality of Management
  - Products: Success Through New Products
  - Design: Building the Brand with World-Leading Design
  - Technology: Investment for the Future
  - Telematics/IT and ITS: Creating Comfortable, Convenient Driving
  - Environment: Environmental Action Plan
  - Safety: The Quest for Real World Safety
  - Manufacturing: Building on Top Productivity
  - Purchasing: A Win-Win Relationship
  - Sales and Marketing: Moving into Extended Growth
  - Sales Financing: Providing Comprehensive Sales Financing Services
  - Corporate Citizenship: Supporting Tomorrow's Society
  - Alliance with Renault: Synergies for Growth
  - Motorsports: Putting Technology to the Test
  - Industrial Machinery & Marine Business: Applying Automotive Abilities
  - Nissan Executives
  - Corporate Data
  - Financial Section
    - Consolidated Five-Year Summary
    - Financial Review
    - Consolidated Balance Sheets
    - Consolidated Statements of Operations
    - Consolidated Statements of Shareholders' Equity
    - Consolidated Statements of Cash Flows
    - Notes to Consolidated Financial Statements
    - Report of Independent Auditors
    - Non-Consolidated Five-Year Summary
  - Subsidiaries and Affiliates
- On the cover: FAIRLADY Z

## Vision

Nissan: Enriching people's lives

## Mission

Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders\* in alliance with Renault.

\*Our stakeholders include customers, shareholders, employees, dealers, suppliers, as well as the communities where we work and operate.

Fiscal year 2002 saw the launch of the NISSAN 180 three-year business plan. Its result for the first year: operating profit of ¥737 billion, and an industry-leading operating margin of 10.8 percent. Automotive debt was completely eliminated. Two of the plan's main goals were achieved within NISSAN 180's first year. We're pleased to share this news of NISSAN 180's smooth progress in this Annual Report.

As it celebrates its 70th anniversary, Nissan can proudly point to an increasingly strong product development capability and much stronger brand power in its markets around the globe. It will continue to work toward achieving all the goals of NISSAN 180 while pursuing the corporate vision of "Enriching people's lives."

Join us in this Annual Report, as we share our vision for the future of Nissan.

This Annual Report contains forward-looking statements on Nissan's future plans and targets, and related operating investment, product planning and production targets. Please note that there can be no assurance that these targets and plans will actually be achieved. Achieving them will depend on many factors, including not only Nissan's activities and development, but on the dynamics of the automobile industry worldwide and the global economy.

# Financial Highlights

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal years 2002, 2001, 2000, 1999 and 1998

For the years ended	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars <sup>2,3,4</sup>
	2002	2001	2000	1999	1998	2002
	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2001	Mar. 31, 2000	Mar. 31, 1999	Mar. 31, 2003
Net sales	¥6,828,588	¥6,196,241	¥6,089,620	¥5,977,075	¥6,580,001	\$56,905
Operating income	737,230	489,215	290,314	82,565	109,722	6,144
Net income (loss)	495,165	372,262	331,075	(684,363)	(27,714)	4,126
Net income (loss) per share <sup>2,3</sup>	117.75	92.61	83.53	(179.98)	(11.03)	0.98
Cash dividends paid <sup>2,3</sup>	50,800	27,841	0	0	17,591	423
Shareholders' equity <sup>2,3,4</sup>	¥1,808,304	¥1,620,822	¥ 957,939	¥ 563,830	¥ 943,365	\$15,069
Total assets <sup>2,3,4</sup>	7,349,183	7,215,005	6,451,243	6,175,658	6,606,331	61,243
Net consolidated automotive debt	(8,602)	431,714	952,657	1,348,696	1,867,100	(72)
Number of employees	127,625	125,099	133,833	141,526	131,260	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120=\$1, the approximate exchange rate on March 31, 2003.

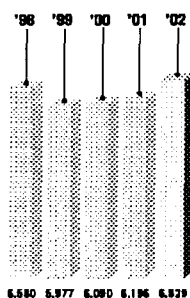
2. Net income (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income (loss) per share are in exact yen and U.S. dollars.

Number of shares outstanding as of March 31, 2003: 4,520,715,112.

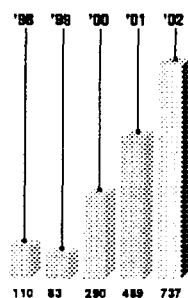
3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.

4. Shareholders' equity and total assets for fiscal years 1998-1999 were restated in accordance with the changes in the regulations relating to the presentation of currency translation adjustments effective fiscal year 2000.

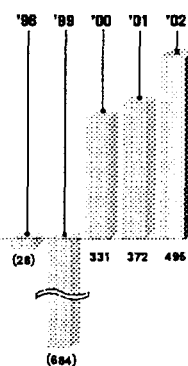
**Net Sales**  
(Billions of yen)



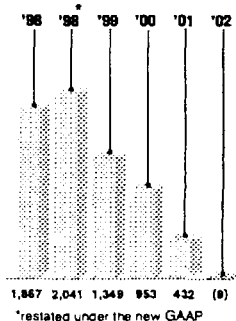
**Operating Income**  
(Billions of yen)



**Net Income (Loss)**  
(Billions of yen)



**Net Consolidated Automotive Debt**  
(Billions of yen)



\*restated under the new GAAP

## Letter from the President and CEO



The first year of NISSAN 180 is now history.

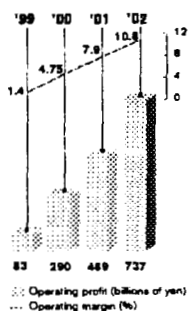
The results are a matter of public record. Record-setting revenues, an industry-leading operating margin, the total elimination of net automotive debt at constant accounting standards—these results are significant, certainly, but their achievement is even greater when viewed in the context of Nissan's revival process.

Considering the state of affairs in 1999, before the Alliance with Renault, Nissan's financial performance over the past four years is nothing short of remarkable.

Sales revenues have grown by ¥1 trillion. Aside from recognizing the string of attractive new products that have supported that achievement, it is important to note that our sales have grown in extremely difficult market and economic conditions. In the United States, particularly, the market was artificially fueled by the combination of high cash discounts and zero percent financing. We have continued to resist that approach. Our strategy continues to be based more on optimizing profitability than maximizing volumes.

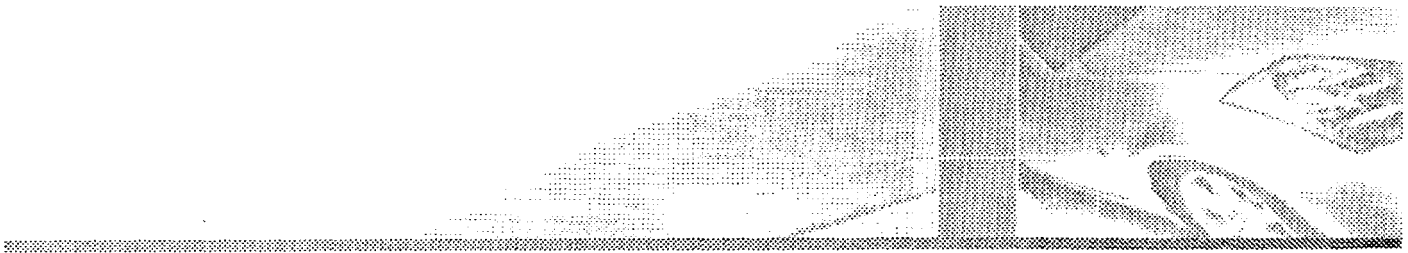
Another key indicator of performance—operating profit—reflects a nine-fold increase, and Nissan's operating margin now leads the industry at 10.8 percent. I have said on many occasions that profit gives you important information about your operations. The *lack* of profit is like a fever. When your business is not profitable, that's a serious signal that something is wrong. Either the products are not right, or marketing is inefficient, or the cost base is too high—*something* is wrong. If you ignore a fever, you can get very sick. If you ignore unprofitability, the situation can only worsen. So Nissan's return to significant profitability is a healthy signal. Our profits tell us that we are doing some things *right*.

Consolidated Operating Profit/Margin



**Nissan's return to significant profitability is a healthy signal; our profits tell us that we are doing some things *right*.**

Our consolidated net income of ¥495 billion also reflects a return to normalcy. After years of low or negative tax rates resulting from prior-year losses, Nissan is returning to a more standard level of tax payments.



The year 2003 will be the first year of normal tax treatment in Japan. Focusing on total profitability allows us to pay our shareholders competitive dividends, which is a reasonable expectation. It is also gratifying to realize that Nissan's share price more than doubled since the start of the Nissan Revival Plan in April 2000, even as the Nikkei stock index has slid 50 percent. Our three-year dividend policy expresses our confidence in Nissan's future performance and provides for the tripling of the dividend by the end of NISSAN 180—from ¥8 per share for fiscal year 2001 to ¥24 per share for fiscal year 2004.

Finally, another important measure of progress is debt reduction. Before the Alliance, Nissan's net automotive debt was at the level of ¥2.1 trillion. Today, at constant accounting standards, the debt is gone, and, more importantly, debt elimination will no longer be a constraint that must be taken into account as we manage our business. We are free to make investment decisions only on their merit, using return on invested capital as a guiding criterion.



Opening ceremony of the Canton plant,  
Mississippi, May 27, 2003

## The power of people

As I review the striking progress Nissan has made over the past few years, I cannot help but be aware of one more important fact: A major factor in Nissan's revival has been our *people*.

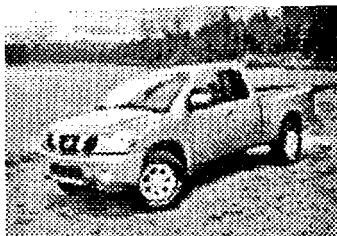
The same people who were worried and frustrated by the state of our business throughout the 1990s have joined together with great motivation and determination to reshape Nissan's fate. Each one is to be commended for making contributions, both great and small. The teamwork and performance that put Nissan back on course includes our extended team as well—our supplier partners, our dealers and our shareholders.

With great faith in our ability to make changes and to create a bold new direction for our future, we are reviving a proud company. The power of transformation has come from within. The talents and experience of 125,000 employees around the world are the brainpower and muscle behind Nissan's revival. In the lives of the men and women who make up Nissan's diverse, global workforce, you can sense the atmosphere of change in our offices, our plants and our showrooms. Pride is growing. Mindsets and behaviors have changed. The revival is real.

### Signing Ceremony of Long-Term and Comf



Signing agreement creating Dongfeng  
Motor Company, September 19, 2002



Titan King Cab, the first full-size pickup  
made at the Canton plant

## What is next?

How will we follow the record-setting performance of fiscal year 2002?

With more performance and the added stretch of *growth*.

With our financial position on solid ground, Nissan is now in a position to take advantage of opportunities in new markets, in new product segments and in new technologies.

In the coming year, we will enter China with a 50-50 partnership with DongFeng, one of the country's three largest truck and car manufacturers. Our joint venture, Dongfeng Motor Company, has great potential, and we are optimistic about the opportunities we see with this large, well-established manufacturer in one of the world's fastest-growing markets.

In North America, we are breaking new ground as we enter the high-volume, high-profit full-size vehicle segments that have been the stronghold of American manufacturers. From our new plant in Canton, Mississippi, our full-size trucks and sport utility vehicles will generate incremental sales in segments where Nissan has never had a presence before. Those new products will not only support our ambitious sales objective, but, by expanding our North American product lineup, they will also draw a spotlight on the Nissan brand.

On a broader scale, Nissan continues to make steady and substantial investments in product and technology developments for the future. Innovation is the lifeblood of any company's future. At Nissan, our commitment is to provide the necessary resources to assure our long-term competitiveness.

## Nissan continues to make steady and substantial investments in product and technology developments for the future.

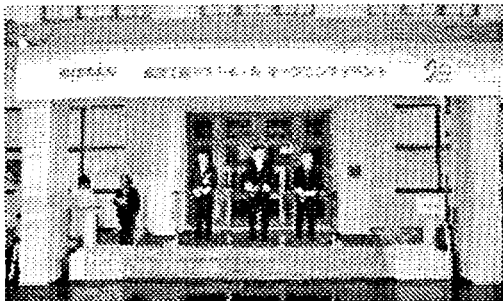
The first year of NISSAN 180 may be over, but our revival is not yet complete.

We are tempering our enthusiasm for the future with the keen awareness that the global automotive industry is a demanding environment. We are continuing to work on costs, quality, sales and marketing efficiency, distribution efficiency, and all the fundamentals that are essential to our business. We refuse to be slowed by complacency. We intend to keep our momentum building.



Founded in 1933,  
Nissan celebrates its 70th  
anniversary in 2003

Even though we have achieved two of our three NISSAN 180 commitments in the first year—those of achieving an 8 percent operating margin and zero debt—the commitment to sell an additional one million units will require our total focus. It's true that 16 all-new models will support our sales objectives during the remainder of NISSAN 180, but the sales goal is high. Our ability to design, produce and sell attractive models will be tested to the extreme. Our responsibility will be to manage our business so that Nissan will continue to move forward, achieving *all* of NISSAN 180 while remaining the industry's most profitable global automaker.



Opening ceremony for Yokohama Plant  
Guest Hall and Engine Museum, March 25,  
2003

In this, our 70th anniversary year, we are grateful for the advances we have made and the rich heritage of the Nissan name. Even as we make changes and stretch ourselves to deliver our full potential, some things will never change. We will continue to honor our commitment to being a good corporate citizen. Our obligation to protect the environment and use resources wisely. Our passion to create specific, attractive products for Nissan customers. Our promise to be transparent with all of our stakeholders. Our determination to create value and enrich people's lives.

We remain confident that Nissan's best years lie ahead. Thank you for your ongoing support of our efforts.

Carlos Ghosn  
President and Chief Executive Officer

# Nissan: Once Again Among the Pacesetters

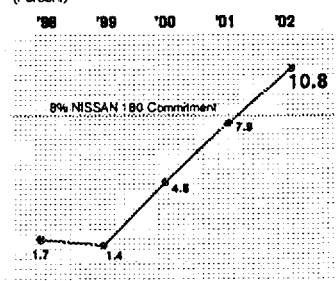
The NISSAN 180 three-year plan has entered into its critical second year—and the results are nothing less than remarkable. This plan to create sustainable, profitable growth for Nissan builds on the foundations of the highly successful Nissan Revival Plan, begun in April 2000, to literally turn the company around:

- Revenues for fiscal 1999 were ¥5.98 trillion; in fiscal year 2002, revenues have grown to ¥6.83 trillion.
- Three years ago, operating profit was ¥83 billion. At the end of fiscal year 2002, this figure has exploded to ¥737 billion.
- In fiscal year 1999, Nissan's operating margin was just 1.4 percent. Today the company leads the industry with an operating margin of 10.8 percent.
- Prior to forming its Alliance with Renault in 1999, Nissan's net automotive debt was a staggering ¥2.1 trillion. Today, that debt has been completely eliminated. Entering fiscal year 2003, Nissan is ¥8.6 billion cash positive.

Nissan's revival is a reality. Nissan is not only back in the global race—it's once again among the pacesetters.

### Consolidated Operating Margin

Fiscal years 1998–2002  
(Percent)



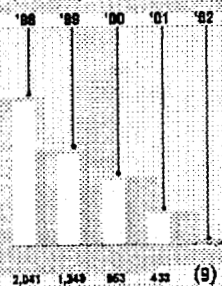
## Debt is gone

The effort to eliminate debt is no longer the driving force in Nissan business management. Return on Invested Capital (ROIC)—the ratio between operating profit and automotive fixed assets, net working capital and cash—will instead take center stage. Nissan now has an ROIC level of 19.8 percent—currently second among major auto manufacturers worldwide—and Nissan intends to stay at an ROIC level of 20 percent or higher. In both operating margin and ROIC, Nissan's objective is to remain the most profitable global automaker.

Nissan had the best-performing stock of the entire global automotive industry in fiscal 2002. By the end of fiscal year 2002, the company's share price had doubled since the start of the Nissan Revival Plan in April of 2000, in a period that has seen the Nikkei stock index slide by a full 50 percent. At the Annual General Meeting in June 2003, the Nissan board of directors asked shareholders to approve a dividend of ¥14 per share for fiscal year 2002, as announced in October 2002. The annual dividend per share is planned to increase to ¥19 for fiscal year 2003 and ¥24 for fiscal year 2004.

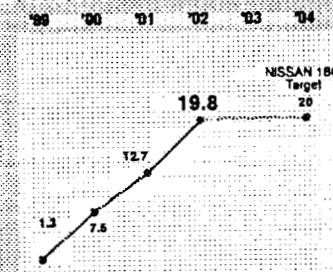
**Net Consolidated Automotive Debt**

Fiscal years 1998-2002  
(Billions of yen)



**Automotive: ROIC  
(Return on Invested Capital)**

Fiscal years 1999-2004  
(Percent)



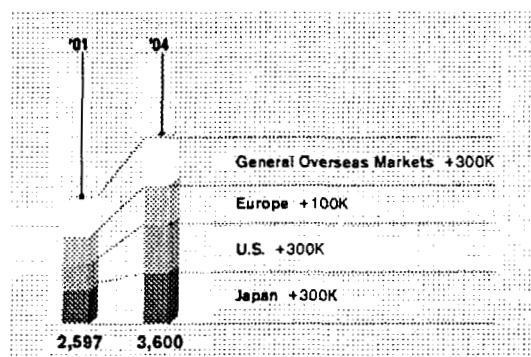
# Building to One Million Additional Sales

When the Nissan Revival Plan was announced in 1999, much of the focus from outside was on what Nissan had to do to streamline its business—closing plants, reducing headcounts, shrinking and transforming suppliers and eliminating non-core assets. This was only one part of the plan's goals, however. Its true goal was to free resources so they could be invested in recovery through a global product and a global brand. It was a plan for the redeployment of the company for a future of sustainable, profitable growth.

NISSAN 180 has three commitments:

- One million additional vehicles sold worldwide by the end of fiscal year 2004, measured between October 2004 and September 2005 and compared to fiscal year 2001;
- An eight percent operating margin; and
- Zero net automotive debt, both at constant accounting standards,

**NISSAN 180 Sales Volume**  
(unit: 1,000s)



In the first year of NISSAN 180, the second commitment of an 8 percent margin had already been attained, with the company now at the highest level in the industry.

Automotive debt is now a thing of the past. Now Nissan focuses on the first commitment, growth.

### Expansion in 2003

Fiscal year 2003 will mark the start of a dynamic period for Nissan. Operations have begun at Dongfeng Motor Company, the joint venture established with DongFeng Motor Corporation in China. Nissan plans to launch six models by 2006 through Dongfeng, all of which will be manufactured locally. The first model is the Sunny. By the year 2006, Nissan targets sales of 550,000 vehicles in China. Nissan's expansion in the rapidly developing Chinese market is a long-term project with great potential; the market represents a significant growth and profit opportunity for Nissan.



The Sunny, the first model produced at Dongfeng Motor Co., Ltd.

### New Models for Fiscal Year 2003

Europe	Japan	Mexico & GOM*	U.S.
Micra	New Presage	Infiniti FX35/45	New Quest
Z Coupe	Cube derivative	Pathfinder Armada	Z Roadster
Car-derived Van	New President	Murano	Pathfinder Armada
	Z Roadster	Z Roadster	Titan King Cab
	Mini-LCV	Titan King Cab	Titan Crew Cab
	Mini-Truck	Titan Crew Cab	Infiniti Full-size SUV
		New Quest	
		Teana	

\* General Overseas Markets

In the United States, the brand-new plant in Canton, Mississippi, is now in production, with the all-new Quest minivan going on sale in July. Fiscal year 2003 will very much be the Year of the United States. Five of the six new models Nissan will launch in the US market will be built in Canton. Each new model will be launched in high-volume, high-profit segments. Because Nissan has not participated in the full-size vehicle segment—where the Titan King Cab, Titan Crew Cab, Pathfinder Armada and Infiniti full-size SUV will compete—incremental sales and profits are expected to make a significant contribution to performance in fiscal year 2003.

### **A Path to Enrich People's Lives**

In 2003, Nissan's 70th anniversary year, the company's vision has never been clearer. Like the Nissan Revival Plan, NISSAN 180 is designed to build for the future. The company has removed the burden of debt and is now focusing on providing a top level of return on invested capital. A lean cost base and the ability to offer attractive products are essential for the company's competitiveness. Nissan will continue to fine-tune the same tools, the same management practices and the same level of commitment that have contributed to its revival. The company has significantly increased its capital expenditures, investing in assets that will generate tomorrow's sales and profits.

NISSAN 180 is setting a course for sustainable, profitable growth—a path that will enrich people's lives.

## China: Key Future Market

China is a huge market, and one that is developing rapidly. With the country's entry into the WTO, tariffs are being eliminated, and vehicle sales grew by more than 38 percent in 2002. If just 10 percent of its population purchases an automobile, this represents a market roughly the same size as the total population of Japan—clearly a market demanding a strong presence. China is expected to be a major part of Nissan's strategy in the period beyond NISSAN 180. Even today, Nissan sales are taking off in China, with fiscal year 2002 sales more than double that of fiscal year 2001.

On June 9, 2003, Nissan and DongFeng Motor Corporation announced the joint

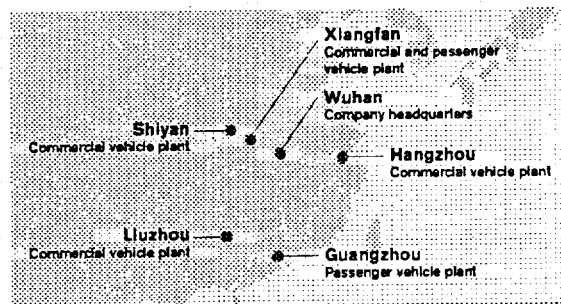


Press conference  
announcing the  
establishment of  
Dongfeng Motor  
Co., Ltd., June 9, 2003

establishment of Dongfeng Motor Co., Ltd., the result of a strategic partnership between the two companies that dates to September of 2002. The company, with the total equity of 16.7 Renminbi (¥240 billion, US\$2 billion) held equally by the two partners, began operations on July 1, 2003. Headquartered in Wuhan, Hubei Province, Dongfeng Motor Co., Ltd. will employ 74,000, including employees of affiliated companies.

Dongfeng Motor Co., Ltd. will be the first Sino-foreign, full-line automobile joint venture in China, producing passenger vehicles, trucks, buses and light commercial vehicles. Its passenger vehicles will bear the Nissan brand, while most of its commercial vehicles will carry the Dongfeng brand. Sales by 2006 are targeted at 550,000 units—220,000 passenger vehicles and 330,000 commercial vehicles.

Current plans call for six additional new passenger car models to be produced by Dongfeng Motor Co., Ltd. by 2006, starting with the Sunny—known locally as the Yang Guang. The Sunny is being produced at the Huadu plant, Guangzhou, and went on sale nationwide in China in June 2003, entering a rapidly growing compact car



Dongfeng Facilities in China

market in China. Teana, the luxury sedan successfully launched in Japan in February of 2003, will also be produced by the new company in 2004.

## Nissan Management Way

Nissan knows that success comes from the quality of management as well as of the product—and that the company must act more globally. Addressing this is Nissan Management Way, intended to provide innovative thinking and faster decision-making abilities for the company.

### Focus on the Quality of Management

To be among the world's best, not only the quality of the product but the quality of management is critical to compete.

During the Nissan Revival Plan, the foundations were created for the Nissan Management Way, a program to increase the quality of management and to increase decision-making speed. The program's two cornerstones are cross-functional teams (CFTs) and the Value-Up program.

#### Cross-Functional Teams

In 1999, nine CFTs, international teams bringing together people from different business areas within the company, were established. Each CFT was under the leadership of two Executive Committee members, each headed by a "pilot," and each given a topic to handle. There was one goal—to make proposals to develop Nissan's business and reduce costs—and one rule: no sacred cows, no taboos, no constraints. The NRP was planned based on these proposals. Today there are 14 CFTs, and their role continues: to challenge the company to do better by addressing strategic and structural issues, and to propose breakthrough ideas to enhance the company's operations and profitability. The CFTs are expected to develop fresh, original ideas without being bound to past work practices or habits.

One CFT is specifically targeted at enhancing the quality of management—to maximize the company's target results using a minimum of management resources in the shortest possible time.



Employees at Nissan North America



Town hall meeting with President Ghosn at Nissan's Tokyo head office



President Ghosn with employees on the opening day of the Canton Plant, Mississippi, May 27, 2003

**Cross-functional teams in North America** also have been established to develop coordinated launch plans for the Maxima, Quest, Titan and a new full-size SUV. The launch team concept was applied very successfully for the launch of the 2002 Altima, a success attributed in part to the effective communications made possible by the CFTs' high priority on transparent communications.

#### **Value-Up Program**

The Value-Up Program is a tool for achieving the goals of NISSAN 180, using successful implementation of

developments obtained during the NRP. Like the CFTs, the Value-Up Program is cross-functional across different departments and is designed to produce quantifiable, measurable results through the use of effective tools.

A total of 300 V-Pilots—the leaders who set the issues to be resolved—and 4,000 crews have been trained, and some 1,200 Value-Up projects have been launched. The program has been in full implementation since April of 2003.

#### **Employee Feedback Critical**

These efforts at increasing quality and speed during NISSAN 180 are not simply top-down directives. The structure of both the CFTs and the Value-Up teams ensures that ideas are continuously being brought from within the company to management. Nissan is also keenly interested in receiving the constructive feedback that will shape management quality. During 2002, a NISSAN 180 survey of more than 20,000 employees representing all of Nissan activities worldwide was conducted.

#### **A Focus on Corporate Governance**

Corporate governance is a key responsibility of management. At Nissan, clear management objectives and policy are released for all stakeholders, both inside and outside the company—shareholders, customers and suppliers, the local community and, of course, employees. The achievement status and results of these goals and policies are disclosed early and with transparency.

Nissan has also adopted a number of corporate reforms. The board of director membership has been reduced from nine to seven members from the June 2003 shareholders' meeting, in order to improve management efficiency.

Auditing has been strengthened by adopting outside corporate auditors, as three of the four corporate auditors. Nissan established the Japan Internal Audit Office to conduct internal audits of operations on a regular basis; the Chief Internal Audit Officer conducts global audits. Three-way auditing has been adopted through this combination of corporate auditors, auditing firms and internal audit functions.

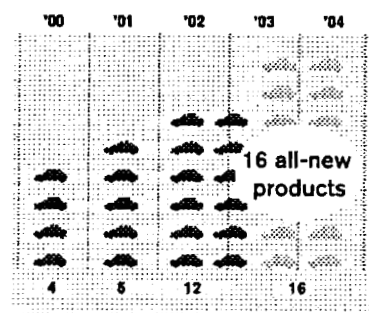
Nissan has also set out the Nissan Global Code of Conduct and established the Global Compliance Committee, both intended to strengthen compliance with laws and ethics and avoid illegal and unethical conduct within the global Nissan group.

## Products

Nissan's strong financial performance in fiscal year 2002 was supported by a wave of new products: 12 all-new models, the biggest production year in Nissan history. This exciting new lineup of products will continue to expand and fuel Nissan growth in the coming years.

## Success Through New Products

Model Launch Schedule  
Fiscal years 2000-2004



The future profitable growth of Nissan is based on one thing: selling automobiles. NISSAN 180 sets this out with the bold goal of selling an additional one million new cars from the beginning of the program to September 2005: 100,000 additional cars in Europe and 300,000 additional cars each in Japan, the US and Nissan's other global markets. It means the creation of compelling and profitable new vehicles that can continue the growth of Nissan's market share around the world.

Fiscal year 2002 was the biggest product year in Nissan history, as the company launched 12 all-new models globally, covering everything from minicars to luxury sedans. By the completion of NISSAN 180, this will have risen to at least 28 all-new vehicles launched to markets throughout the world.

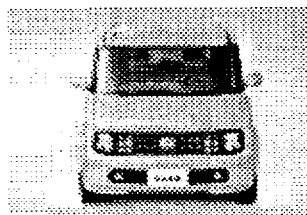
However, this is not simply about increasing the number of Nissan cars available. "There are a lot of new products coming," said Nissan

FAIRLADY Z



#### Fiscal Year 2002 Models and Markets

Japan:	ELGRAND, SKYLINE COUPE, FAIRLADY Z, CUBE, TEANA, MOCO
US:	INFINITI G35 SEDAN/G35 COUPE, 350Z, INFINITI FX45, MAXIMA, MURANO
Europe:	MICRA, PRIMASTAR, INTERSTAR
China:	PALADIN
General Overseas Markets:	X-TRAIL, PLATINA



CUBE

President Carlos Ghosn, "but there are two types of product we will not build: those that are unprofitable, and those that fail to quicken your pulse with pure styling and performance. We are developing products to enter new markets and new market segments. We want a wide base of products that will help us face the future with stability and reinforce profit improvement. We have many very strong products to come—important products whose full effect may not be felt until 2003 or 2004. Those critics who say our recovery is strictly a result of cost cutting and asset sales are missing the point, and they are in for a surprise."

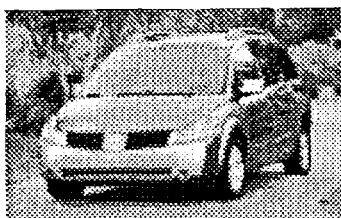
#### Japan

Nissan's strong growth in the Japanese market during the year was fueled by the release of a comprehensive lineup of new models: the Moco, Elgrand, Fairlady Z, Cube, Skyline Coupe and the Teana sedan.

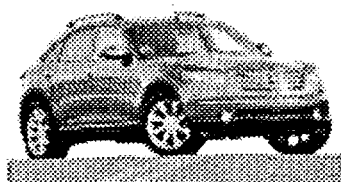
The Moco marked Nissan's entry into the important minicar market in Japan (vehicles with engine displacements of less than 660cc)—small, but with an unexpected level of roominess. The Elgrand is Nissan's high-end luxury minivan, striking on the exterior and able to carry eight passengers in its roomy interior. The Fairlady Z (350Z in North America) is the latest incarnation of the classic Z—and a highly anticipated car. The Cube is designed to be the driver's personal toolbox: compact, roomy, comfortable and finished with a choice of 24 color coordination schemes. The Skyline Coupe (Infiniti G35 Sport Coupe in North America) is a premium sports coupe, with a low, wide body and long wheelbase matched with a powerful NEO VQ35DE engine for exhilarating driving performance. The all-new Teana luxury sedan provides an elegant interior—with the feel of fine modern furniture—and powerful, comfortable driving performance.

TEANA

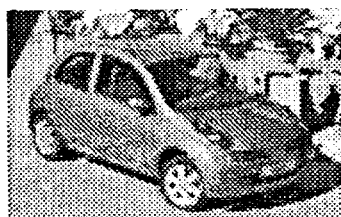




QUEST



INFINITI FX45



MICRA

#### North America

The Infiniti G35 Sedan and Coupe, Murano, 350Z, Infiniti FX45 and new Maxima were launched in the North American market. The Murano is a crossover SUV developed for the North American market and conceived as a striking alternative to other crossover SUVs now entering the market. It uses the same FF-L platform as the award-winning Altima to provide the strength of an SUV below, and the style of a sport sedan above. The Infiniti FX45 is also a crossover SUV, providing V8 power with the style and luxury of the Infiniti name. The Maxima is Nissan's flagship sedan in the North American market—the best-selling import-brand V6 for the past 17 years (based on R.L. Polk total registrations). The Altima was redesigned for 2002 with a new, distinctive exterior design, sophisticated drivetrain, performance-oriented suspension and increases in all major dimensions, keeping with Nissan's design concept for consistency and

design grouping by class combined with individual styling to heighten the personality of the Individual model.

#### Europe

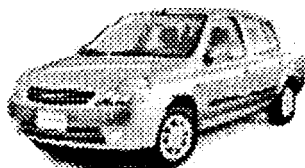
The Micra leads Nissan's efforts in building the European market. While the Micra is the sister model of the March in Japan, it features an interior design created in Europe and is produced by Nissan in the UK. The B platform used in the Micra is shared with Renault—one of the first physical realizations of the Alliance.

Diesel engines are a key to success in the European market. Nissan provides an extensive range of diesel engines in the Micra, Almera, Almera Tino and Primera. Some engines are shared models with Renault.

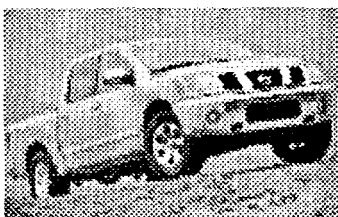
Two light commercial vehicles, the Interstar and Primastar, joined the Nissan lineup during fiscal year 2002. The Primastar is produced by Nissan in its Barcelona, Spain factory, and both models are part of the Renault/Nissan

INFINITI G35 COUPE





PLATINA



TITAN CREW CAB



PRESAGE

cross-badging strategy. The Interstar and Primastar provide operation efficiency, with sleek, professional designs that also help to protect them through the tough life of a commercial vehicle.

#### Mexico

The Platina and 350Z were the new models released in 2002. The Platina is also an example of the Alliance with Renault, based on the Renault Clio, and was very well received in the Mexican subcompact segment.

#### New Models Continue for 2003

In fiscal 2003, Nissan will launch 10 all-new vehicles, providing 23 regional product launches. Six will be in Japan, six in the US (most of these to be produced at the new Canton, Mississippi plant), three in Europe, and eight in Nissan's other global markets.

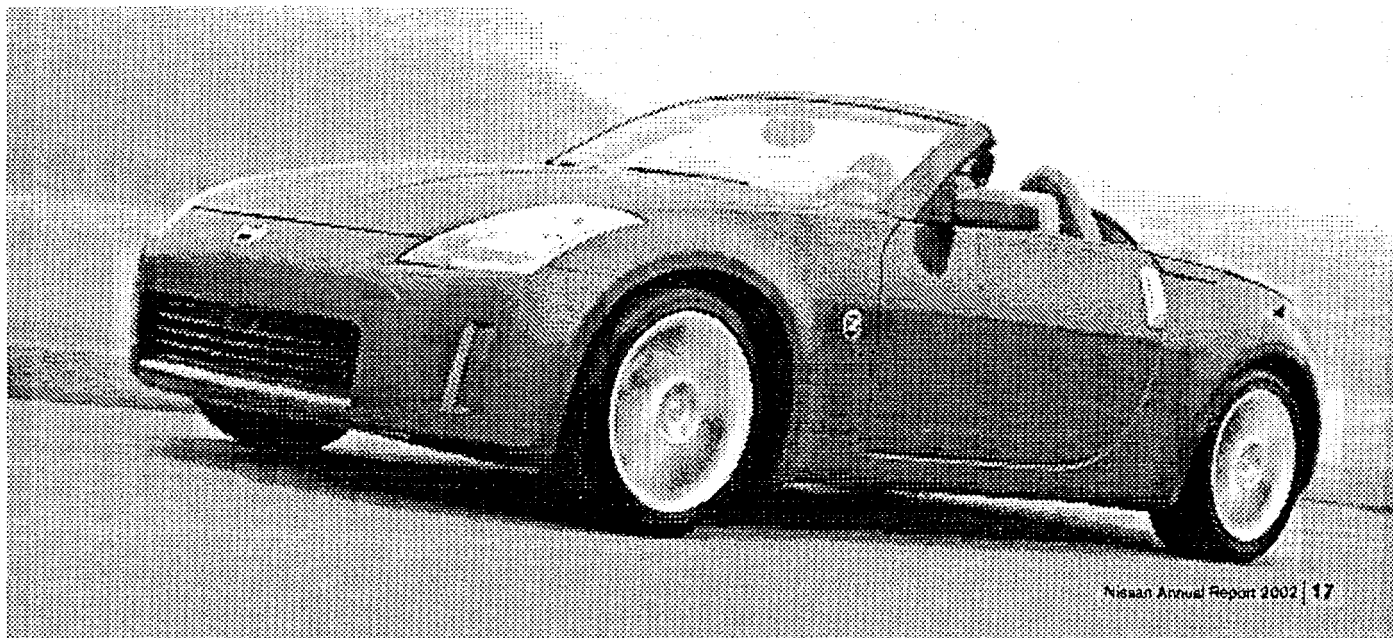
In Japan, this began with the release of the Presage. The Presage is a versatile, high-quality minivan, providing

roomy practicality and versatile seating arrangements with a more comfortable package. An agreement with Mitsubishi Motors will enhance Nissan's position in the mini-vehicle market, which it entered during 2002 with the Moco, by providing 20,000 mini commercial vehicles for the Japanese market.

In the US, the Canton plant will be the production base for the Quest, a revolutionary new minivan; the full-size Pathfinder Armada SUV; the Titan full-size truck; and the full-size Infiniti SUV.

In Europe, Nissan's new product offering will see the introduction of the 350Z. The Kubistar, a cross-badged model derived from the Renault Kangoo, will also join Nissan's light commercial vehicle lineup during fiscal year 2003.

#### Z ROADSTER



# Design

Design is key to today's expansion of the Nissan brand. It defines the first and lasting impression customers have about the Nissan product and plays an important role in expressing the Nissan brand identity. The aim is to create design that reverberates in the heart, appeals to the mind's eye and delivers concept and message.

## Building the Brand with World-Leading Design

Design is the interface between customers and the brand. Nissan believes that it has the speed and power to communicate across borders through form and shape.

Nissan designers realize that a car is much more than metal, rubber and fabrics. It's more than mere transportation. The automobile represents freedom, self-expression—even desire. Understanding this fundamental concept allows designers

### Design Acknowledged In Awards

Nissan garnered an amazing number of design awards during 2002:

#### Fairlady Z/350Z:

- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division
- Golden Clay Trophy at the Japan Car Design Award 2002-2003
- Car of the Year Award Special Jury Prize "Fun to Drive" Award
- Canada Car of the Year
- Canada Best Design of the Year

#### G35 Sport Sedan/Coupe:

- Motor Trend Car of the Year

#### March:

- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division
- Japan Fashion Color Association Auto Color Awards 2003 Grand Prize, Color Division

#### Cube:

- Japan Fashion Color Association Auto Color Awards 2003, Interior Coordination Design Award

#### Stagea:

- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division

#### Elgrand:

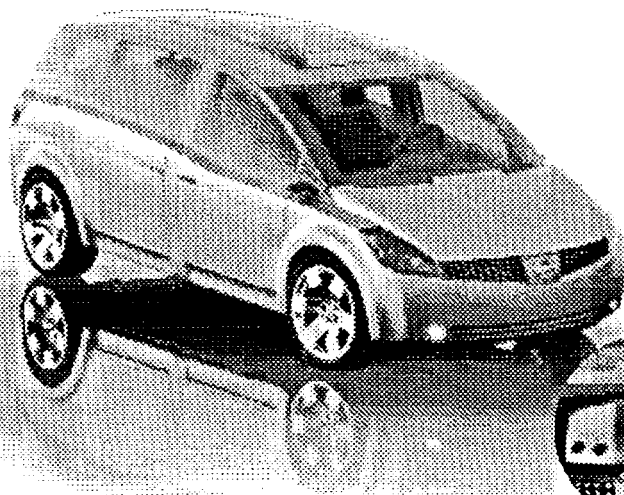
- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division

#### Murano:

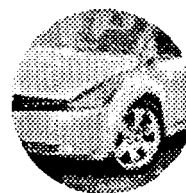
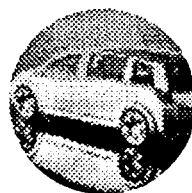
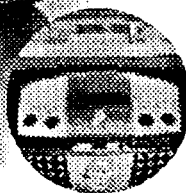
- Canada Truck of the Year

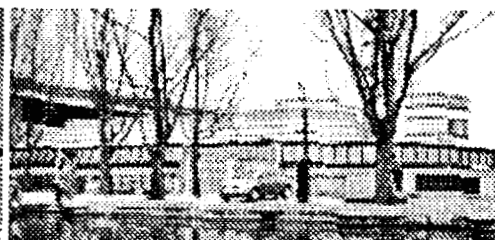
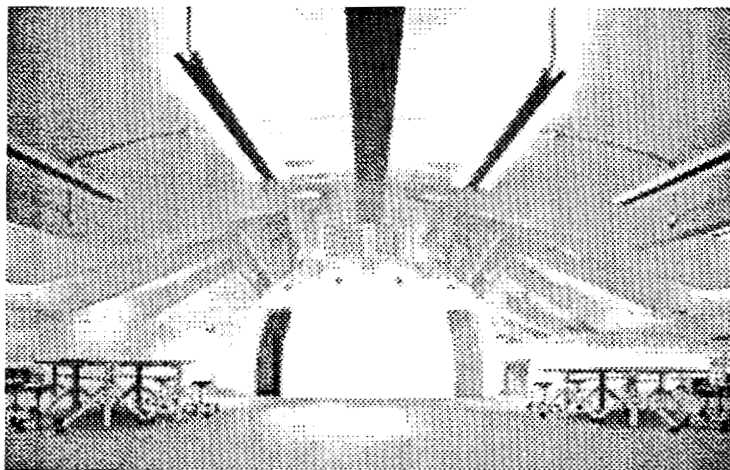
#### Nissan Gallery (Ginza and Head Office):

- Japan Society of Commercial Space Designers Design Award 2002



Quest Concept, unveiled at the 2002 North American International Auto Show, Detroit





The new Nissan Design Europe, London



to blend passion and practicality, creating cars that meet customers' unanswered needs. In doing so, they work closely with product planners and engineers to foster innovative concepts and designs with impact. They can dare to be bold in their designs, but it is a boldness tempered by thoughtfulness.

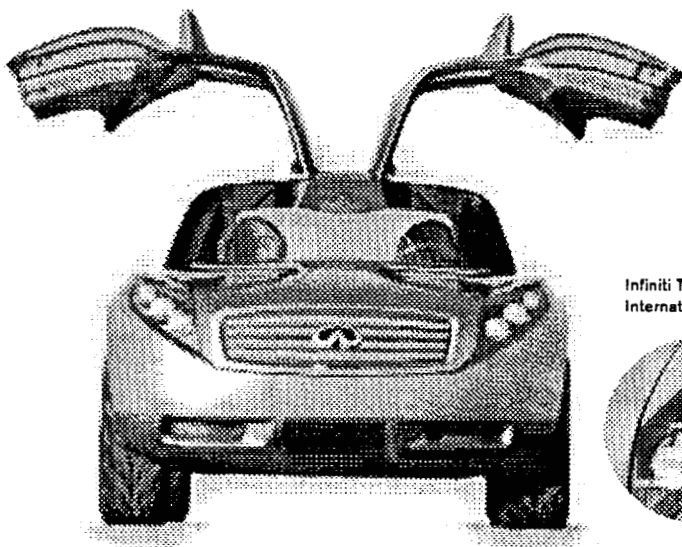
The commitment is straightforward: Nissan design will be a creative force that stirs curiosity, nurtures innovation and challenges the conventional to create attractive, distinctive products.

#### Design Central:

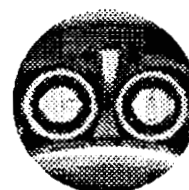
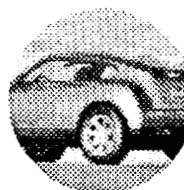
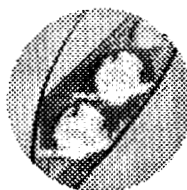
##### the New Nissan Design Europe

A significant step in reinforcing Nissan's European design strength came with the opening of its new design center in London. Nissan Design Europe, housed in the striking Rotunda building, a former railway depot in Paddington, unifies all of Nissan's European design resources into one location. Nissan is steadily building its strength in the European market, targeting sales of more than 500,000 units in 2003. Significantly, an increasing number of these automobiles are not only produced, but are designed in Europe.

Nissan Design Europe employs some 50 international designers, modelers and support staff. Their task will be to develop future designs for Europe, as well as for other markets in conjunction with Nissan's five other design studios—three in Japan, two in the US.



Infiniti Triant concept car, 2003 North American International Auto Show, Detroit



Throughout the exciting changes and challenges that have come as Nissan has streamlined, refocused and rededicated itself to creating long-term, profitable growth, the company has never lost sight of the need to invest in the new technologies that underlie future success.

## Investment for the Future

The Nissan Revival Plan was often misinterpreted as only a cost-cutting and restructuring plan; in fact, it was very much about redeploying assets for future growth.

Nowhere is that clearer than in the investment in R&D. From an R&D investment of ¥231.7 billion in fiscal year 2000, Nissan has continued to increase its expenditures to ¥300 billion

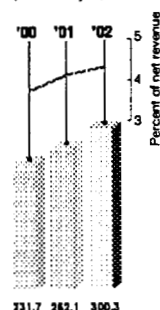
in fiscal year 2002. These exceeded Nissan's growth in revenue over the same period, as these figures as a percentage of total revenue grew from 3.8 percent to 4.4 percent. Capital expenditures grew even more dramatically, from ¥205 billion to ¥378 billion.

Part of this investment was in facilities: Nissan opened the new Nissan Design Europe center in London, the sixth Nissan design studio worldwide, while \$40 million has been applied to an expansion of the Nissan Technical Center North America, located near Detroit. In Japan, Nissan acquired the Atsugi campus of Aoyama Gakuin University, where it is constructing and will soon open the Nissan Advanced Technology Center.

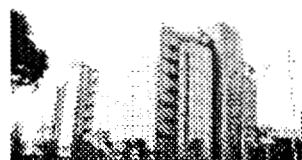
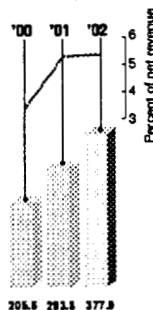
The investments are not entirely in infrastructure, however; Nissan has been steadily increasing its team of engineering experts, the people whose skills and passion have fueled the company's growth.

### Nissan's increased investment in technology

#### Research & Development (Billions of yen)



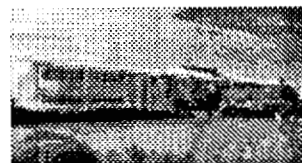
#### Capital Expenditure (Billions of yen)



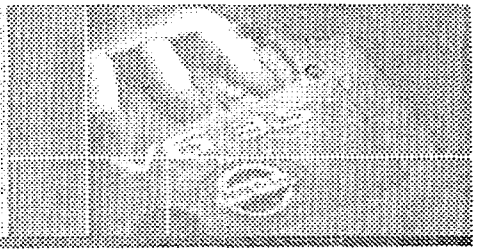
Nissan Technical Center Japan



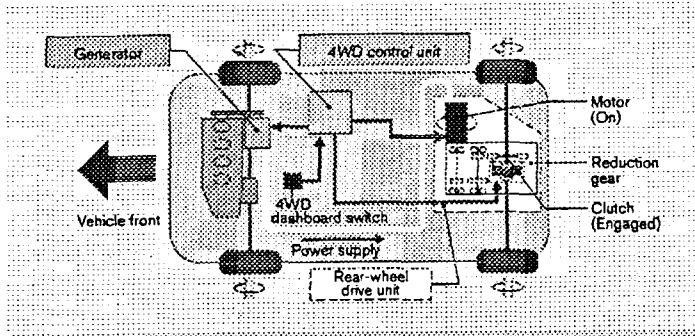
Nissan Technical Center North America



Nissan Technical Center Europe



#### e-4WD system



#### User-Friendly, Pragmatic Technology

Nissan technology must be real-world, useful, pragmatic and easy to use. A good example, the e-4WD system, emerged from Nissan's hybrid car research, and is currently applied in the March and Cube. e-4WD is a compact, lightweight four-wheel-drive system that provides the traction and stability of 4WD only when needed. Sensors perceive the amount of slip in the front wheels and apply electricity to an electric motor driving the rear wheels. This provides the fuel savings of on-demand-only 4WD and eliminates the propeller shaft and transfer case normally needed to supply power to the rear wheels.

Nissan leads the industry in the application of technologies to the full range of its vehicles. The Intelligent Key also shows the company's focus on practical technologies. The vehicle senses when the Intelligent Key is

brought close to the car; doors and tailgate can simply be opened by pressing a button on the door handle, and a turn of the ignition starts the motor—no key has to be removed from bag or pocket. Another "smart key" is the secret behind the Engine Immobilizer system. A chip inside the key sends a signal to the engine; without it, the engine can't be started. The Immobilizer will be standard on all large-size, sport and SUV vehicles by the end of fiscal year 2004.

And a simple addition to driving—especially in countries such as Japan where there are many tunnels—is Nissan Autolight, which automatically turns the headlamps on and off as the surroundings become dark.

#### Enhancing Driving Pleasure

Enriching people's lives: nowhere is Nissan's new motto felt more directly than in creating a more enjoyable driving and riding experience in Nissan automobiles.

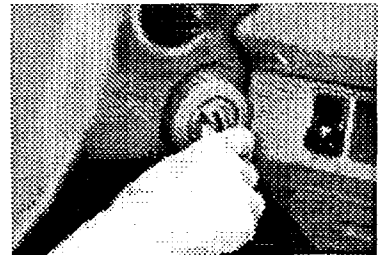
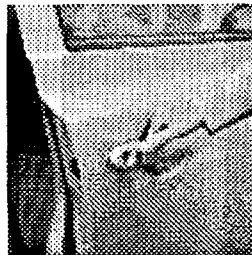
It starts from the base up, in the platforms on which award-winning Nissan cars are built. The FF-L (front-engine, front-drive, large) package provides for an attractive design with spacious cabin and body size, enabling excellent handling while minimizing the space needed for engine and transmission. The FR-L (front-engine, rear-drive, large) package achieves a

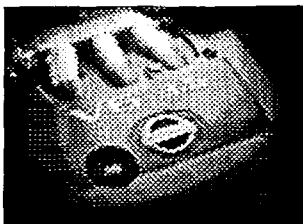


MARCH

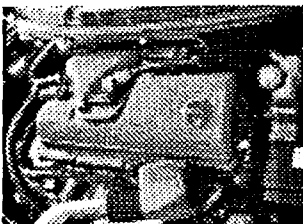


Intelligent Key

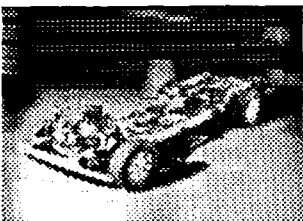




3.5-liter VQ engine

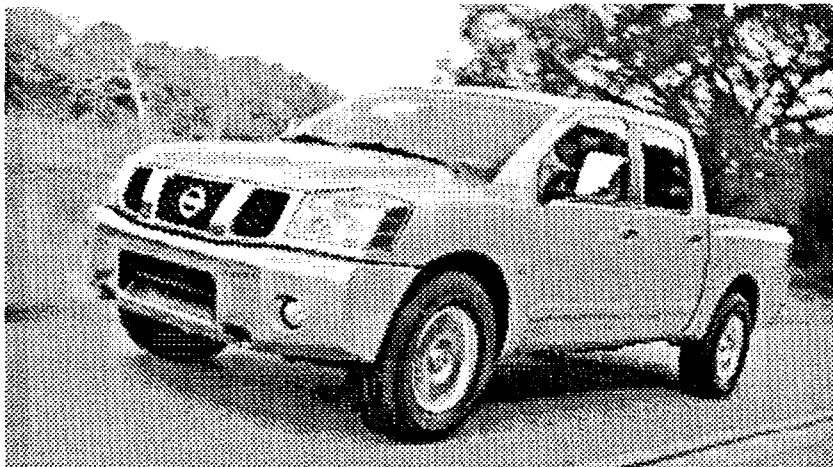


dCi diesel engine



Titan's newly designed body-on-frame platform

TITAN CREW CAB



compact body and large cabin, for sporty driving and a comfortable ride.

The FF-L platform is the foundation for the incredibly successful Altima, the 2002 North American Car of the Year—the first ever for a Japanese car. The new Murano SUV—winner of the Canadian Best Truck of the Year Award—shares the same platform, as do the strong-selling Maxima and new Teana luxury sedan.

The new 350Z perfectly showcases the FR-L platform, and the awards prove it: Japan Car of the Year Most Fun Prize winner; Best of the Year on "MotorWeek," PBS television, US; Best New Sports Car, Kiplinger's Personal Finance magazine; Canadian Car of the Year; and many more. The Infiniti G35, Motor Trend's Car of the Year, and the all-new Skyline also boast outstanding driving enjoyment, thanks to the FM Package.

Nissan's platform technology will be highlighted again in the coming year as the full-size Nissan Titan pickup truck, which applies the newly designed body-on-frame platform with fully boxed frame side rails for superior durability, moves into production in the US.

Nissan received confirmation of its powertrain prowess in 2002 as the 3.5-liter VQ engine was named as one of "Ward's Ten Best Engines," published by Ward's Communications, Inc., for the ninth year in a row. No other engine has made the list every year it has been published.

As sales of diesel-engine powered vehicles continues to expand across Europe, Nissan has benefited greatly from the Alliance with Renault and its family of dCi diesel engines. These powerful, smooth-running engines are being applied to the Micra, Almera, Almera Tino and Primera in Europe.

#### Safety, the Environment and Advanced Technologies

Making driving more fun is just part of the technology story at Nissan. New safety technologies, such as the six-unit SRS Airbag System, are making Nissan vehicles safer than ever for driver and passengers alike. The company is also focusing on the development of the new technologies for the future, such as fuel cells, that will reduce the impact of the automobile on the environment.

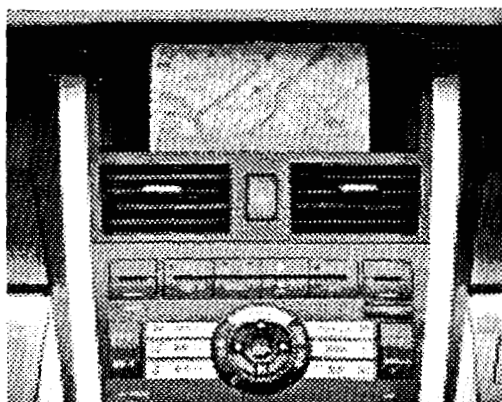
The Nissan Virtual Engine allows engineers to perform complete computer simulations of combustion, from fuel injection to flame propagation, without having to use a traditional optical engine test unit. Nissan is also working on new metallic materials research that promises to reduce weight while increasing strength: laser welding, injection molding, high-speed deformation strength analysis, and the reduction of friction within and the size of engines and transmissions through material surface modification and ultra-precision micro surface machining.

## Telematics/IT and ITS

In Nissan's CARWINGS system, Japan's first total Telematics service, a variety of information is now available in the automobile—at an affordable price. This points to the emerging Telematics/IT and Intelligent Transport System (ITS) technologies that make driving more efficient and more enjoyable.

CARWINGS is currently available as a reasonably priced unit on the March and Cube; an advanced DVD navigation system with CARWINGS functions is also available on the Elgrand, Primera, Fairlady Z, Teana, X-Trail and Presage. The number of CARWINGS-capable vehicles will continue to grow in the future.

## Creating Comfortable, Convenient Driving



CARWINGS

### Telematics/IT

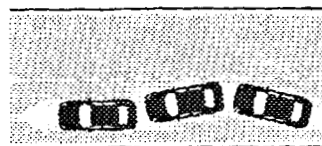
Nissan took a bold step into the new world of Telematics with the introduction of CARWINGS, Japan's first total telematics service. CARWINGS integrates human-assisted and automatic services, mobile phone and personal computer technologies to bring a variety of information to the vehicle occupants. Through an LCD screen and assisted by verbal interface, the driver can access real-time traffic conditions, news, restaurant, weather and other information; make hands-free telephone calls; inform others of the automobile's current location; and ask help-desk operators for navigation, search and emergency support. The driver can also input vehicle destination and midpoints via mobile phone or PC.

### Intelligent Transport System (ITS)

ITS technologies now being realized at Nissan promise driving that is more efficient, environmentally friendly, comfortable and enjoyable.

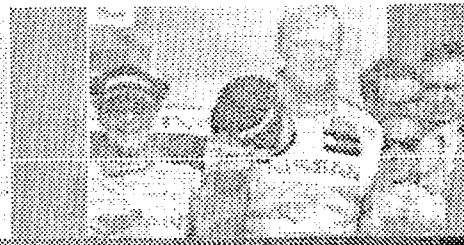
The Lane-Keep Support System helps to reduce driver workload, helping to keep the car in its own lane. Images taken by a CCD camera are processed to detect the white lane markers. The system then assists the driver in keeping the vehicle within the lane, even when affected by side winds or a slanting road surface. Driver operation of the steering wheel or the turn signals temporarily deactivates the system.

Adaptive Cruise Control (ACC) also helps to make driving more comfortable and convenient. The system uses a radar sensor to brake ahead of the driver's reaction when necessary, hold speed at a pre-set maximum and control the distance behind the vehicle in front.



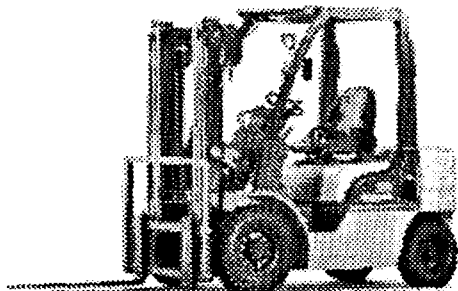
### Lane-Keep Support System

The Lane-Keep Support System helps to keep the car within its lane, even when the car is affected by road inclination or crosswinds. This reduces driver strain and improves driving comfort.



In recent years, Nissan has successfully streamlined and focused on its core activity of creating outstanding automobiles. It enhances its competitiveness in two other areas, forklifts and marine activities, where its engine and manufacturing skills continue to set it apart from the competition.

### Applying Automotive Abilities



LX Series (AGRES in Japan)

From the initial days of the Nissan Revival Plan, Nissan has consistently moved to focus on its core activities and streamline the organization. At the same time, it has retained several key business activities outside of the automobile field—businesses that support the use of Nissan automobiles, or are in motorized areas where Nissan has built an outstanding, unique set of skills.

#### Nissan Forklift

The production of forklifts is a natural for Nissan, as it draws on its engine, vehicle design and engineering ability—and the company has been doing so since 1957. The company produces a wide range of durable, reliable models its production centers in Japan, the US and Spain, built to meet the specific needs of worldwide markets. Annual production is more than 27,000 units, sold in 85 countries around the world.

Nissan forklifts include 1.0- to 7.0-ton gasoline, LPG and diesel engine-driven models, and 1.0- to 3.0-ton electric three- and four-wheeled models, reach-type forklifts and towing

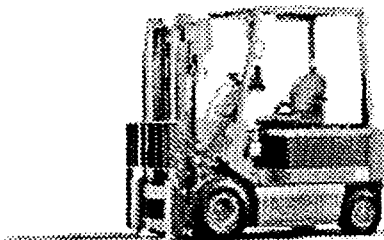
tractors. Nissan has long had a very strong reputation in the market for high performance and outstanding quality. The company also is leading the market in its exhaust emission technologies, derived from its automobile technology.

Nissan also responded to the fast-growing Chinese market for forklifts during 2002 by establishing Nissan Forklift (Shanghai) Ltd. The 100-percent subsidiary of Nissan Motor Co., Ltd. will enhance the sales and servicing of Nissan forklifts in China.

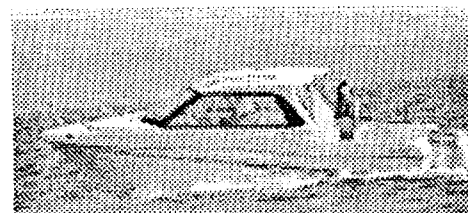
Nissan launched the new LX Series (AGRES in Japan) of engine-powered forklifts for both the Japanese and overseas markets. The series is the result of incorporating customer needs with innovative technology, providing low exhaust gas emissions, low fuels consumption and a range of original operator support equipment.

#### Nissan Marine

Nissan's engine expertise is also on display in the outboard motors produced by Nissan Marine. The company's innovative four-stroke and two-stroke engines are noted for their extreme reliability, quiet operation and fuel efficiency. Nissan Marine's TLDI 2-stroke direct-injection technology was awarded Motorboating Magazine's Editor's Choice Award.



BX Series



Sun Cruise-22

# Nissan Executives

## BOARD OF DIRECTORS AND AUDITORS

### Representative Board Members

**Carlos Ghosn**

President

Co-Chairman, Board of Directors

**Itaru Koeda**

Executive Vice President

Co-Chairman, Board of Directors

### Board Members

**Norio Matsumura**

**Nobuo Okubo**

**Patrick Pélata**

**Tadao Takahashi**

**Shemaya Lévy**

### Auditors

**Keishi Imamura**

**Hiroshi Moriyama**

**Hideo Nakamura**

**Haruhiko Takenaka**

### Executive Committee Members

**Carlos Ghosn**

**Itaru Koeda**

**Norio Matsumura**

**Nobuo Okubo**

**Patrick Pélata**

**Tadao Takahashi**

**Alain-Pierre Raynaud**

**Toshiyuki Shiga**

(As of June 19, 2003)

On June 19, 2003, Yoshikazu Hanawa retired as Chairman of the Board of Directors. He was appointed Advisor and Honorary Chairman. Thierry Moulouquet retired as Chief Financial Officer and Executive Vice President on the same date.



Carlos Ghosn



Itaru Koeda



Norio Matsumura



Nobuo Okubo



Patrick Pélata



Tadao Takahashi



Alain-Pierre Raynaud



Toshiyuki Shiga

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## Corporate Officers

### President

#### Chief Executive Officer

Carlos Ghosn

### Executive Vice Presidents

Itaru Koeda

Purchasing

Administration for Affiliated Companies

Norio Matsumura

Global Sales & Marketing

North American Operations

Global Aftersales Business

Nobuo Okubo

Research

Technology and Engineering Development

Cost Engineering

Patrick Pélata

Planning and Design

European Operations

Tadao Takahashi

Manufacturing

SCM (Supply Chain Management)

Industrial Machinery

Marine

### Vice Chairman

Takeshi Isayama

External and Government Affairs

### Senior Vice Presidents

Eiichi Abe

Eiji Imai

Hidetoshi Imazu

Shigeo Ishida

Hiroyasu Kan

Yukio Kitahara

Jean-Jacques Le Goff

Shiro Nakamura

Alain-Pierre Raynaud

Bernard Rey

Hiroto Saikawa

Sadao Sekiyama

Toshiyuki Shiga

Kazuhiko Toida

Shiro Tomii

Kuniyuki Watanabe

Shuji Yamagata

(As of July 1, 2003)

## Environment

Nissan is committed to protecting and sustaining the environment; part of this commitment is the Nissan Green Program 2005 environmental action plan. Nissan has already achieved its goal of more than 80 percent of all its passenger vehicles being U-LEV—ahead of schedule, ahead of the industry—while pressing ahead on tomorrow's technologies.

## Environmental Action Plan



Nissan believes that a sound environmental policy is at the core of a sound business practice. To address this conviction, in January 2002 Nissan announced the Nissan Green Program 2005 for the Japanese market, a mid-term environmental action plan which outlines a series of concrete targets to be achieved by fiscal year 2005:

In products and technology:

- To achieve 2010 fuel efficiency standards for gasoline-powered vehicles by 2005;
- To accelerate the introduction of ultra-low emission vehicles (U-LEVs) and to achieve 80-percent U-LEV sales for all Nissan passenger cars by the end of March 2003—accomplished ahead of schedule;
- The development of clean energy vehicles, with development for the

practical implementation of FCVs completed in 2005;

- To achieve 95-percent recyclability or greater for all new vehicles by 2005.

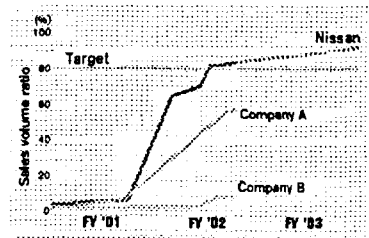
In corporate activities:

- Manufacturing: to eliminate direct landfill disposal of waste by the end of fiscal year 2001 (accomplished), and to reduce incinerated waste volumes to 50 percent of 1999 levels by fiscal year 2005.
- Sales and service: to certify all Japan Nissan dealers to the Nissan Green Shop certification, based on ISO 14001 by the end of fiscal year 2001 (accomplished), and to develop and deploy new technologies and processes for the treatment of end-of-life vehicles.
- Recycling: to enhance recycling activities at all levels throughout the company.

### 80-Percent U-LEV: Ahead of Schedule

In February, 2003, Nissan announced that it had reached its goal of

### Nissan: leading the industry in U-LEV introduction



U-LEV certification mark



Leading the industry: from a Nissan U-LEV television commercial in Japan

80 percent of all its domestic vehicles certified as U-LEV—two months earlier than planned, and far ahead of all other Japanese manufacturers. At the end of January, 2003, 80.7 percent were U-LEV vehicles. A U-LEV has exhaust emissions that are 75 percent or more below Japan's 2000 exhaust emission regulations. Nissan estimates that reaching this level has the same effect in hydrocarbon and nitrogen oxide reductions as selling 400,000 zero-emission vehicles, such as fuel cell vehicles (FCVs). A "real world" application of Nissan technology that is affordable, widely available and that has a real impact in improving air quality.



X-TRAIL Fuel Cell Vehicle

**Fuel Cells: Tomorrow's Technology**  
U-LEV vehicles are today's "real" technology providing measurable improvements for the environment. For the future, Nissan continues to take an active role in the development of fuel cell technology. Fuel cells offer outstanding efficiency and zero emissions and are a promising mainstream power source for the future—although issues such as creating the necessary fuel supply infrastructure will take some time. As a participant in the Japan Hydrogen & Fuel Cell Demonstration Project (JHFC Project) being conducted by the Ministry of Economy, Trade and Industry, Nissan is working to resolve these issues, preparing for the growing popularity of fuel cell vehicles (FCVs) in the future.

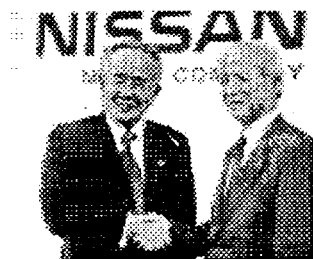
Nissan began initial FCV research activities in 1996; today, with approval by Japan's Minister of Land, Infrastructure and Transport, it has begun public road tests of its X-Trail FCV. This testing is in preparation for

limited marketing in 2003—two years ahead of the original schedule. The X-Trail FCV is a high-efficiency, hybrid fuel cell vehicle with a compact, high-performance lithium-ion battery pack that has been commercialized on Nissan's electric vehicle and other alternative fuel vehicles. The power plant is a fuel cell developed by UTC Fuel Cells (UTCFC); Nissan has also joined with UTCFC for an agreement to jointly develop proton exchange membrane (PEM) fuel cell technology.

Nissan is also part of the California Fuel Cell Partnership and has conducted public road tests of the Xterra FCV since April of 2001.

#### Hybrid Tie-Up with Toyota

In September 2002, Nissan announced a tie-up with hybrid technology leader Toyota for a long-term hybrid partnership, including technical cooperation. Aiming at a business relationship of at least 10 years, the agreement adds to Nissan's hybrid technologies, such as its high-performance lithium-ion battery pack, with Toyota's state-of-the-art hybrid components, while both companies will exchange information and work toward the joint development of hybrid system components.

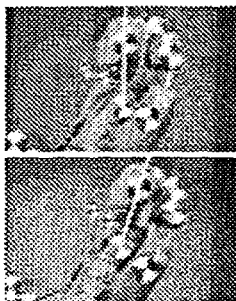


Nissan Executive Vice President Nobuo Okubo with Toyota Vice President Akihiko Saito

Nissan takes a real-world approach to safety, using actual crash data as its first step in new development. The quest is to develop safer vehicles through the analysis of this accident data, with the goal of reducing by half the number of fatal and severe injuries.

## The Quest for Real World Safety

### Active Head Restraint System



The Active Head Restraint System is effective in restraining head and neck motion in rear-end collisions

Nissan's policy toward safety is a quest for Real World Safety. Nissan has long worked to create safer vehicles; the company has been analyzing actual accident data involving Nissan vehicles in Japan. This data is the base for Nissan's development of safety technologies, with the goal to cut the number of fatal and severe injuries in Nissan vehicles to half the level of 1995.

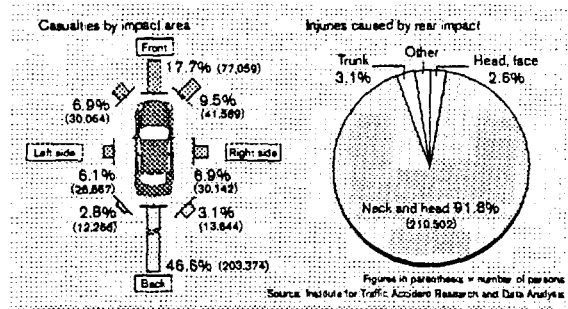
Ongoing Nissan research has resulted in the adoption of the Active Head Restraint System, effective in

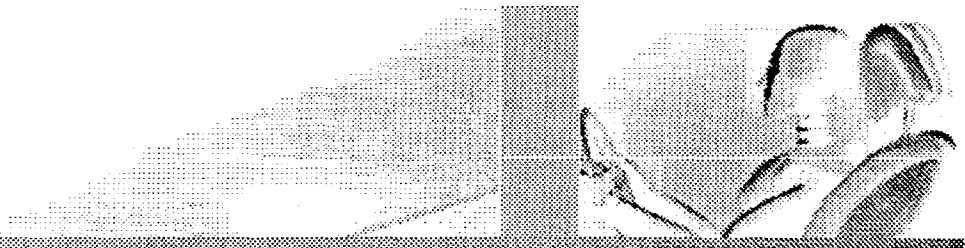
rear-end collisions, and the SRS Curtain Airbag System, designed to protect vehicle occupants in side collisions. About 50 percent of all accidents involve rear-end collisions; neck injuries account for more than 90 percent of all injuries incurred in rear-end collisions. In a rear-end collision, Nissan's active head restraint system moves the headrest forward, reducing rearward rotation and motion of the head and neck. The result is an approximate 45 percent reduction of neck motion, and an estimated 60 percent reduction of rotation of the head to the rear—and greatly reduced neck loading. The Active Head Restraint System will be standard equipment on all Nissan passenger cars and RVs by fiscal year 2004.



SRS Curtain Airbag System

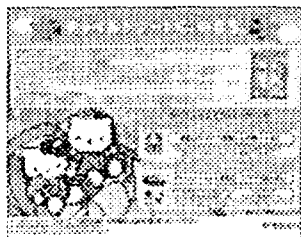
### Fatalities and injuries involving automobiles, 2000





#### Nissan Hello Safety Campaign

Three times annually, Nissan and Nissan dealerships in Japan hold this campaign to encourage the proper use of child seats by kindergarten children and their parents and to increase safety awareness. Activities include the distribution of safety posters and banners, and coloring books and games with traffic safety themes.



Child seat information from the Nissan Hello Safety website in Japan

In side collisions, some 75 percent of all injuries are to the head, face and neck. In a side collision, the SRS Curtain Airbag System immediately expands from the roof side, protecting passengers in both the front and rear seats. It protects the head and face from impact with the side glass and pillars, reducing excessive neck motion and cervical injuries. The system will be standard on most Nissan passenger cars and RVs by fiscal year 2005.

#### Creating Unique Technologies

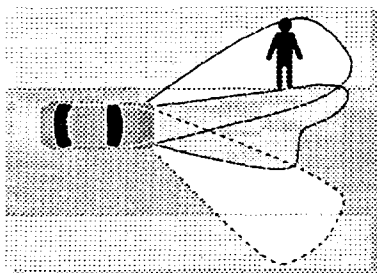
Nissan has completed development of a Brake-Operated Pre-crash Seatbelt designed to help mitigate occupant injury in the event of a collision. The system will be introduced in 2003, and is effective in about 25 percent of all serious and fatal accidents. This technology is patented by Nissan and is available to competitors through a licensing process.

The brake-operated pre-crash seatbelt system is one result of Nissan Advanced Safety Vehicle (ASV) research activities. Other advanced ASV technologies include the world's first

Lane-Keeping Support system featured on the Cima, and the Adaptive Cruise Control (ACC) system currently available on medium-size and larger Nissan models.

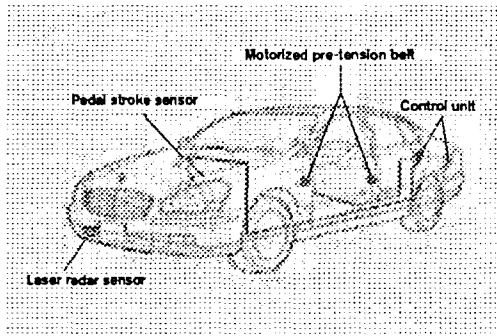
In its new Far-Infrared Imaging Sensor, Nissan succeeded in creating a system that can detect pedestrians at night at distances up to 50 meters. The headlamp illumination pattern is controlled to illuminate the pedestrian and alert the driver. Another application of infrared sensor technology is Intruder Warning. An infrared sensor embedded in an A-pillar detects the entrance of an intruder into the vehicle and issues a warning.

#### Far-Infrared Imaging Sensor



The system can detect pedestrians at night at distances up to 50 meters. The headlamp illumination pattern is controlled to illuminate the pedestrian and alert the driver.

#### Brake Operated Pre-crash Seatbelt System



Vehicle condition and occupant kinematics are predicted by the speed and amount of brake pedal operation. Driver and front seat passenger motion is reduced by the retraction of the seatbelt by a motorized seatbelt retractor.

By helping to minimize the occupants' motion during sudden braking, this helps the driver control the vehicle in an emergency situation. If the crash is unavoidable, early seatbelt restraint can help maximize the effectiveness of other occupant protection devices such as airbags.

## Manufacturing

Nissan leads in the industry in productivity—but continues to strive for higher levels of efficiency and quality in many different areas. Backing this is massive investment in production facilities in the markets where the vehicles are to be used, helping Nissan to react more quickly to ever-changing market trends.

### Building on Top Productivity

Nissan sets the standards in the automobile industry for productivity. Its Sunderland plant, UK, has been ranked number one in Europe for seven consecutive years, according to the World Markets Research Centre. Nissan's Smyrna, Tennessee plant, US has ranked number one for nine straight years in the Harbour Report North America, while its Japanese plants also lead the domestic market.

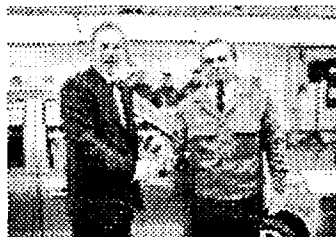
The company is not about to rest on its productivity laurels, however; it is just the first of six manufacturing areas that Nissan has focused on during its revival. Plant utilization, manufacturing flexibility, common platforms, cross-manufacturing and localization are all

key factors in better building at Nissan.

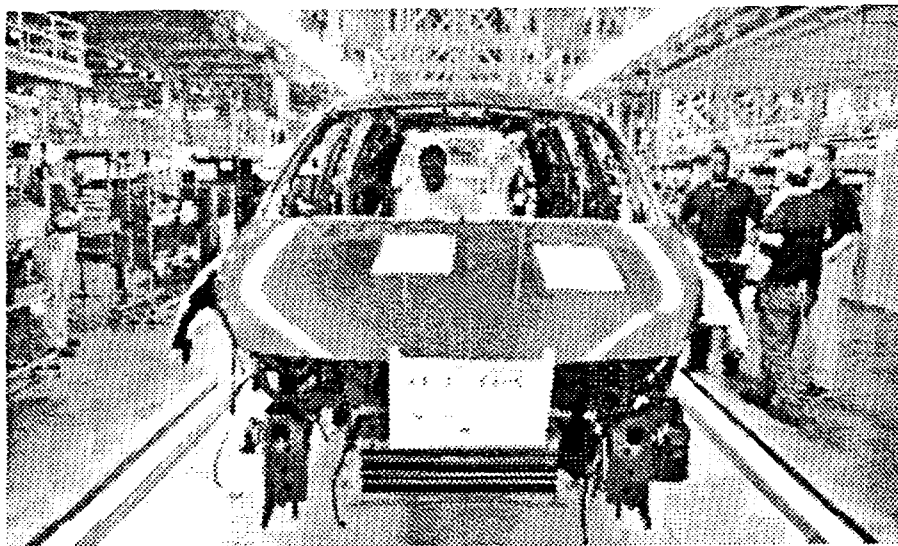
Plant utilization is key. Nissan's production facilities in Japan are today operating at much higher levels of capacity utilization than in 1999. Flexible manufacturing systems that make it possible to build different models on the same line have reduced lead times and cut the costs involved in shifting production to a new line. Common platforms—both within Nissan and with Alliance partner Renault—have reduced the total number of platforms, as well as development costs and time to market. Cross-manufacturing has allowed Nissan to enter Brazil and Argentina by opening a new joint factory at Renault's production facilities in Brazil; similarly, Renault was able to enter Mexico through Nissan's production facilities, while Nissan optimized capacity utilization in the country.



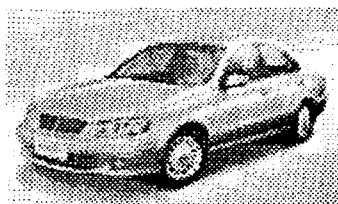
Nissan's Smyrna plant, Tennessee



Local manufacturing: Micra production at the Sunderland plant UK



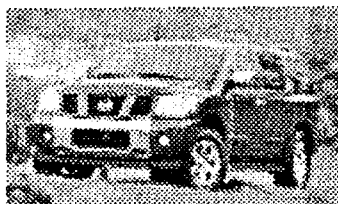
Production begins at the Canton plant, Mississippi



Sunny, produced in China



Micra, manufactured in the UK



US-produced Pathfinder Armada

#### Building Locally

Nissan's massive investment in manufacturing as close to the markets where vehicles are to be used is the clearest realization of localization. This reduces currency exchange risks while increasing the speed of response to market needs. Nissan's new production facility in Canton, Mississippi, US, opened in May of 2003, while the first Paladin SUV rolled out of Zhengzhou Nissan, China, in March.

The 3.5-million-square-foot, US\$1.43-billion Canton plant began with the production of the popular

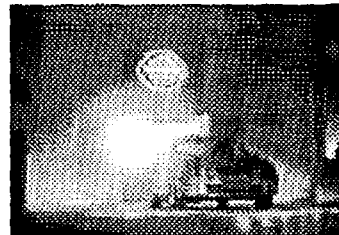
Quest, to be followed by production of the new Titan truck and the Pathfinder Armada SUV. Nissan's Smyrna, Tennessee plant and its Decherd, Tennessee engine plant have also been greatly expanded to increase Nissan's production capabilities within the US market.

In June 2003, Nissan and DongFeng Motor Corporation announced the foundation of Dongfeng Motor Co., Ltd., a comprehensive strategic partnership between the two companies for the China market. Dongfeng Motor Co., Ltd. will be the first joint Sino-foreign full-line vehicle manufacturer; the new Sunny is the first model produced by the company, rolling out as a Nissan brand in June of 2003.

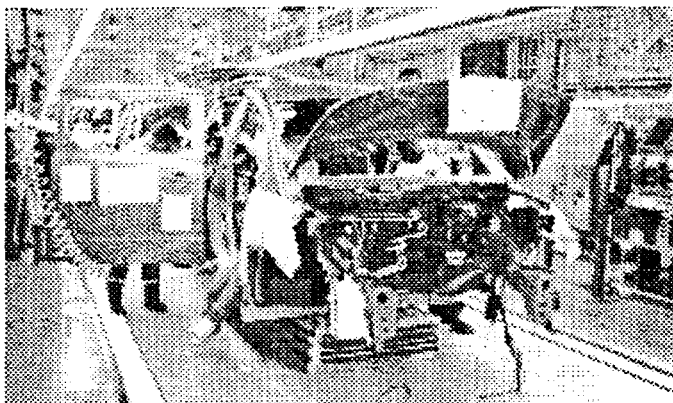
Thanks to growing demand in Europe, production capacity of the Micra at the Sunderland plant, UK, was increased by 25 percent, to 200,000 vehicles annually.

#### Nissan Production Way

Since 1994, Nissan has continued to systemize its Nissan Production Way (NPW) concept. The company is committed to realizing Douki-Seisan—a build-to-order system schedule synchronized with the customer—which is the ultimate NPW goal.



Launch ceremony for Sunny in China, June 16, 2003



Quest production, Canton plant, Mississippi

The first purpose of NPW is to enhance customer satisfaction—to increase competitiveness in quality, delivery and cost while providing the maximum possible service. It helps to demonstrate that Nissan provides its customers with excellent cost performance, high quality, excellent product sense and a short delivery period.

NPW also aims to raise the asset turnover ratio by reducing inventory assets while improving cash flow. Inventory reduction also is a means for discovering problems within the manufacturing process.

The third focus is on improving the manufacturing system by resolving those problems which are discovered. This is an ongoing process of discovery and the application of solutions which will bring NPW to a higher stage while continuing to move to closer synchronization of production to the customer's demands.

#### **Smoothing Supply and Enhancing Quality**

At the end of 2001, Nissan took another step to shorten lead times from order taking to delivery, lower inventory levels and reduce costs throughout the supply chain. The establishment of the Supply Chain Management (SCM) Division brings together the supply chain management operations that formerly were controlled by several divisions into one unified division. This will provide for more efficient control of information flow from clients, and of parts and vehicle logistics. With 12 new vehicles launched during fiscal year 2002—the highest number ever in Nissan history—realizing the higher level of efficiency provided by SCM really was a necessity.

#### **More Modularization**

One way the company is already boosting speed, efficiency and quality is through the increased application of modular manufacturing. Modularization is being incorporated as a basic function at Nissan's new Canton, US, plant, following its use in Japanese plants, and is increasingly being applied at the company's other plants worldwide. In modularization, suppliers provide not simple components but complete modular units, such as front end or cockpit modules, built separately and brought together precisely when needed for assembly. This improves production efficiency and quality while increasing the use of common parts and integration of components—which in turn reduces costs and speeds new product development.

Reducing purchasing costs—the largest single cost source—has been a key part of Nissan's growth. Costs have been cut ahead of schedules, thanks to the Nissan 3-3-3 program, Alliance purchasing synergies, and a new win-win relationship between suppliers and Nissan.

## A Win-Win Relationship

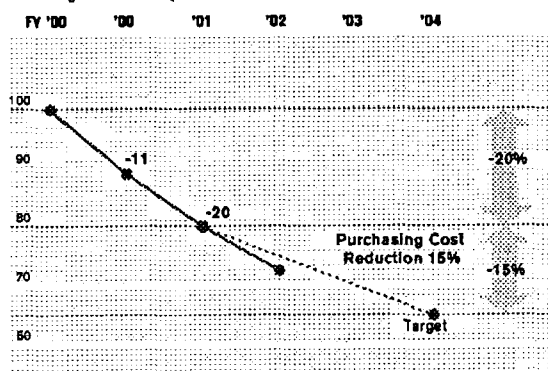
Purchasing is the greatest cost source for any automobile maker—but Nissan executives immediately saw that reducing purchasing costs was one of the keys to the company's revival and growth to long-term, profitable growth. By March 2002, a 20 percent cost reduction had already been met—one year ahead of schedule.



Nissan 3-3-3 activity meeting

Today, as part of NISSAN 180, a commitment for a further 15 percent cost reduction has been made. Fiscal year 2002, the first year of NISSAN 180, has already seen purchasing cost reductions proceeding on schedule.

Reduced Purchasing Costs  
Purchasing cost reduction (percent)



Nissan 3-3-3 is a major part of the cost reduction, aiming at fully 50 percent of the total reduction. Key to this is the first "3": suppliers, purchasing and engineering, working together in close teamwork. "The great majority of our suppliers have embraced the NRP and accepted changing the way they work with us, while challenging their own performance," said Carlos Ghosn. "They gave us the performance we crucially needed. Now suppliers expect more growth for us and more volume for them—and we will provide them with both. We will have at least 28 new products during NISSAN 180, and these are opportunities for the suppliers to expand their business. It truly is a win-win situation." Nissan 3-3-3 has not only reduced costs, but it has also resulted in increased efficiency and performance, without a reduction in quality.

### Major Alliance Contributions

The Renault-Nissan Purchasing Organization (RNPO), the joint purchasing company established as part of the Alliance between the two companies, has also greatly aided in the process of building the highest purchasing competitiveness in quality, cost and delivery while managing supplier relations globally. The RNPO principle of "one voice to suppliers" exceeded cost reduction commitments in fiscal year 2002 and succeeded in expanding the scope of commodities covered, particularly in powertrains. Already accounting for annual purchasing volumes of US\$21 billion—accounting for 43 percent of both companies' global purchasing—it is anticipated that this figure will eventually grow to 70 percent or higher.

Building on the foundations established for increasing market share and profitability, 2002 results show strong growth for Nissan around the world. Meanwhile, the Nissan Sales and Service Way seeks to ensure a positive customer experience at a critical meeting place with Nissan—dealerships.

## Moving into Extended Growth

The start of NISSAN 180 was reflected in fiscal year 2002 with growth in sales and in the opening stages of the major introduction of new models that will truly herald the arrival of a new, strong, profitable Nissan.

One symbol seen by nearly every customer is the dealership, and Nissan is investing to ensure that it possesses an effective—and attractive—distribution network for its exciting new cars. Many Japanese outlets are now being modernized, new outlets are opening where there is business demand, and others are being consolidated where there is overlap. The modernization involves not just minor cosmetic changes but a transformation of interior layouts. This will reinforce the sense of quality customers feel when they enter

the showroom. Some 300 sales outlets received this brand enhancement; almost all Japanese sales outlets are scheduled to be completed by fiscal year 2005.

### Nissan Sales and Service Way

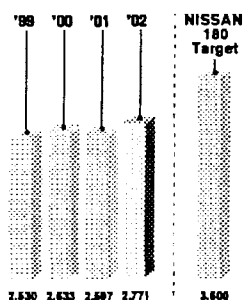
The Nissan Sales and Service Way (NSSW) is a global initiative that will help to differentiate the Nissan purchase experience from that of its competitors—much like Nissan products differentiate the company from others in the market. The customer experience at a Nissan dealership anywhere in the world is one of the most important factors in their decision to purchase a Nissan car—or not.

NSSW will first focus on building core strengths, so that all dealership staff support basic levels of service at any dealership globally. The second phase focuses on differentiation. As the Nissan brand evolves with bold new products, new customers with higher expectations will be visiting dealerships for the first time. Just as Nissan's new automobiles more clearly define and differentiate Nissan from its competitors, the entire customer experience—visually, emotionally and substantively—must also define and differentiate Nissan.

Much improved—but Nissan is working to further build its brand around the globe.

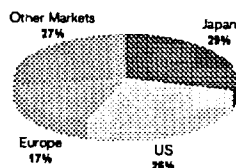
### Global Sales Volume

Fiscal years 1999–2002  
(Thousands of units)



### Contribution of Key Regions to Net Sales

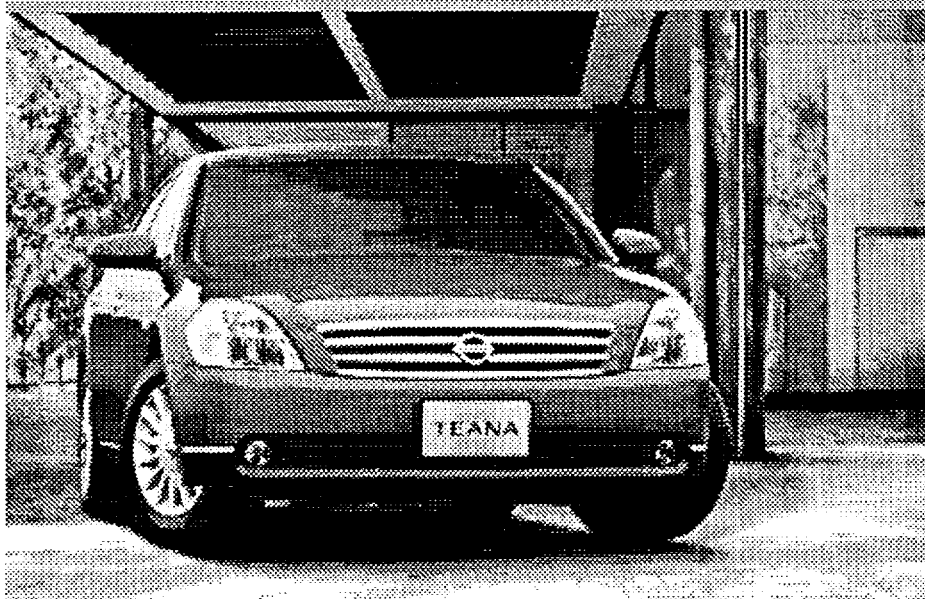
Fiscal year 2002



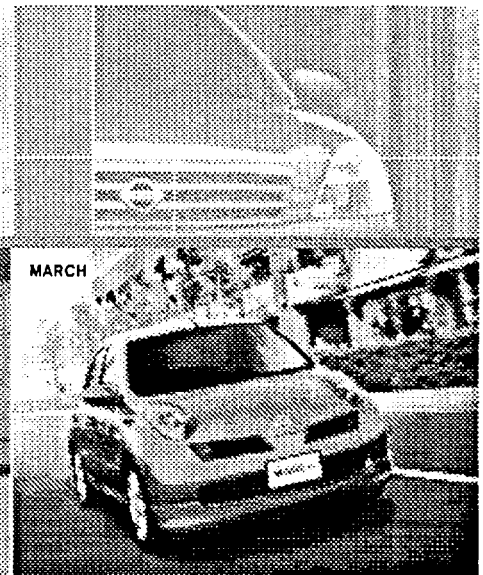
Japan dealership



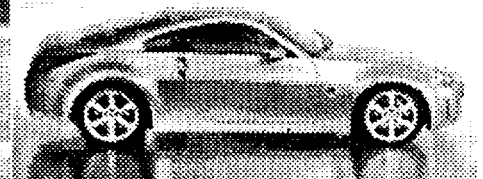
Dealership in the US



TEANA



MARCH



FAIRLADY Z

## Japan

Nissan had an excellent year in its home market in fiscal year 2002.

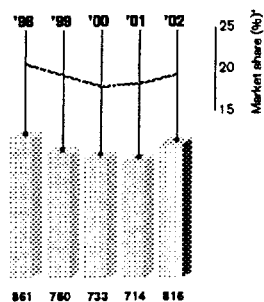
Despite the tough economic conditions in Japan, Nissan both increased sales by 14.3 percent to 816,000 units, and increased its market share (excluding minicars) to 19 percent. This was a 1.1 percent growth in market share over the previous year, the first time Nissan has increased annual market share by more than one percent in 31 years.

While the growth was led in the critically important mini and entry-level segment—represented by the March—Nissan also scored highly in Japan with the highly anticipated launch of the Fairlady Z. The new Teana luxury sedan and Skyline Coupe also contributed strongly to increased sales toward the end of the year. All of the six new models introduced during the year

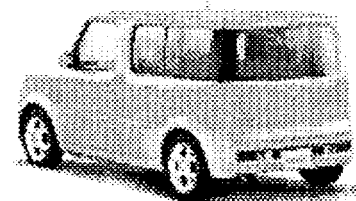
—the Moco, Elgrand, Fairlady Z, Cube, Skyline Coupe and Teana—met or exceeded sales targets.

With 158,000 units of the March sold in 2002, this is an all-time sales record for the model, and the highest annual sales for any one model since fiscal year 1991. The March has remained in Japan's top-10 best-selling cars throughout the year; it was joined on the list for more than eight months by the Cube.

**Unit Sales**  
(Thousands of units,  
including minicar sales)



\* Market share does not include minicar sales



CUBE

# Corporate Data

(As of March 31, 2003)

## Nissan Motor Co., Ltd.

17-1, Ginza 6-chome  
Chuo-ku, Tokyo 104-8023  
Japan  
Phone: +81(0)3-3543-5523

**Date of Establishment**  
December 26, 1933

**Paid-in Capital**  
¥605,813 million

**Common Stock**  
Issued and outstanding:  
4,520,715,112 shares

**Number of Shareholders**  
119,440

## Major Registered Shareholders

	% of total*
Renault.....	44.3
The Master Trust Bank of Japan, Ltd. (Trust) .....	4.1
Japan Trustee Services Bank Ltd. (Trust) .....	3.2
The State Street Bank and Trust Company.....	2.9
The Dai-ichi Mutual Life Insurance Company.....	1.9
Nippon Life Insurance Company .....	1.7
Sompo Japan Insurance Inc.....	1.4
The Chase Manhattan Bank N.A. London S.L. Omnibus A/C .....	1.4
Moxley & Co. ....	1.4
UFJ Trust Bank Limited (Trust A) .....	1.3

\* Ratio of holding stock to total issued and outstanding stock.

## Securities Traded

- Tokyo Stock Exchange (7201 T)
- NASDAQ: (One American Depositary Receipt represents two shares underlying stock) (NSANY)

## Transfer Agent and Registrar for Common Stock

The Chuo Mitsui Trust & Banking Co., Ltd.  
33-1, Shiba 3-chome  
Minato-ku, Tokyo 105-8574  
Japan

## Depositary and Transfer Agent for American Depositary Receipts

JPMorgan Chase Bank  
One Chase Manhattan Plaza,  
New York, New York 10081, USA

## Auditor

Shin Nihon & Co.

## Major Offices and Facilities

Corporate Headquarters (Tokyo, Japan)  
Nissan North America (Gardena, US)  
Nissan Europe (Trappes, France)

Nissan Technical Center (Atsugi, Japan)  
Nissan Technical Center North America (Farmington Hills, US)  
Nissan Technical Centre Europe (Cranfield, UK)  
Nissan Design America (San Diego, US)  
Nissan Design Europe (London, UK)

## Major Production Sites

Japan  
Oppama Plant  
Tochigi Plant  
Kyushu Plant  
Yokohama Plant  
Iwaki Plant

## North America

Nissan North America (Smyrna, US)  
Nissan Mexicana S.A. de C.V.

## Europe

Nissan Motor Manufacturing (UK) Ltd.  
Nissan Motor Ibérica S.A. (Spain)

# Financial Section

## Consolidated Five-Year Summary

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal years 2002, 2001, 2000, 1999 and 1998

For the years ended	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars <sup>(1)</sup> (except per share amounts)
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	1999 Mar. 31, 2000	1998 Mar. 31, 1999	2002 Mar. 31, 2003
Net sales	¥6,828,588	¥6,196,241	¥6,089,620	¥5,977,075	¥6,580,001	\$56,905
Operating income	737,230	489,215	290,314	82,565	109,722	6,144
Net income (loss)	495,165	372,262	331,075	(684,363)	(27,714)	4,126
Net income (loss) per share <sup>(2)</sup>	117.75	92.61	83.53	(179.98)	(11.03)	0.98
Cash dividends paid <sup>(3)</sup>	50,800	27,841	0	0	17,591	423
Shareholders' equity <sup>(4)</sup>	¥1,808,304	¥1,620,822	¥ 957,939	¥ 563,830	¥ 943,365	\$15,069
Total assets <sup>(4)</sup>	7,349,183	7,215,005	6,451,243	6,175,658	6,606,331	61,243
Long-term debt	1,603,246	1,604,955	1,402,547	1,655,610	1,591,596	13,360
Depreciation and amortization	371,125	374,827	360,191	434,553	498,444	3,093
Number of employees	127,625	125,099	133,833	141,526	131,260	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120=\$1, the approximate exchange rate on March 31, 2003.  
2. Net income (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income (loss) per share are in exact yen and U.S. dollars.  
Number of shares outstanding as of March 31, 2003: 4,520,715,112.  
3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.  
4. Shareholders' equity and Total assets for fiscal years 1998-1999 were restated in accordance with the changes in the regulations relating to the presentation of translation adjustments effective fiscal year 2000.

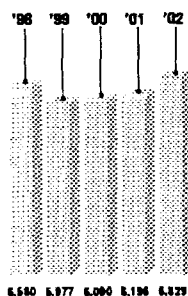
Sales and Production (units) For the years ended	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	1999 Mar. 31, 2000	1998 Mar. 31, 1999
Global vehicle production <sup>(1)</sup>	2,761,246	2,474,888	2,613,948	2,402,264	2,465,796
Japan	1,444,314	1,272,851	1,313,527	1,336,918	1,528,461
United States	392,458	363,366	352,927	348,214	279,392
Mexico	337,631	329,091	334,061	216,140	169,339
Spain	96,218	109,813	153,807	105,245	96,000
United Kingdom	303,411	290,046	332,532	286,865	275,993
Others	187,214	109,721	127,094	108,882	116,611
Global unit sales (wholesale)	2,635,686	2,460,484	2,564,160	2,415,433	2,541,736
Japan	792,767	702,657	725,842	758,603	872,507
North America <sup>(2)</sup>	1,040,684	968,030	985,168	874,160	656,789
Europe <sup>(3)</sup>	458,222	453,697	513,048	500,836	549,547
Others <sup>(3)</sup>	344,013	336,100	340,102	281,834	462,893

Notes: 1. All the figures for global vehicle production are on an April to March basis.  
2. Unit sales in Mexico for 2002, 2001, 2000 and 1999 are included in "North America" according to new geographical segmentation applied at April 1999. Those for years before 1999 have still been included in "Others."  
3. Sales for Europe and Mexico are on a January to December basis.

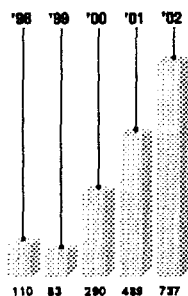
## Financial Review

Momentum continues to build at Nissan; the force behind this progress is the NISSAN 180 program, enhanced by the high motivation and teamwork of Nissan employees around the globe. NISSAN 180 goals include increasing sales by one million additional units by the end of fiscal year 2004; achieving an 8% operating margin; and reducing net automotive debt to zero. In fiscal year 2002, the first year of NISSAN 180, two of these goals were already met.

**Net Sales**  
(Billions of yen)



**Operating Income**  
(Billions of yen)



### FISCAL YEAR 2002 BUSINESS PERFORMANCE

Overall, Nissan sold 2,771,000 vehicles worldwide, an increase of 174,000, or 6.7%, over fiscal year 2001 sales, in a very difficult environment.

Fiscal year 2002 marked the biggest product year in Nissan history, with 12 all-new models representing 21 regional product events. Sales and market share have grown in every region except Europe.

### NET SALES

Consolidated revenues came to ¥6,828.6 billion, up 10.2% from last year, mainly due to higher volume and mix, including the expansion of the scope of consolidation, primarily as a result of the integration of Diamondmatic, an automatic transmission and CVT affiliate of Mitsubishi, into JATCO. On a consistent basis, the increase was 9.5%. Foreign exchange rates produced a negative impact of ¥87 billion.

### OPERATING INCOME

Nissan consolidated operating profit improved by 50.7% from ¥489.2 billion in fiscal year 2001 to a record ¥737.2 billion. As a percentage of net sales, the operating profit margin came to 10.8%—the top level in the global automotive industry, and by far the highest level in Nissan history.

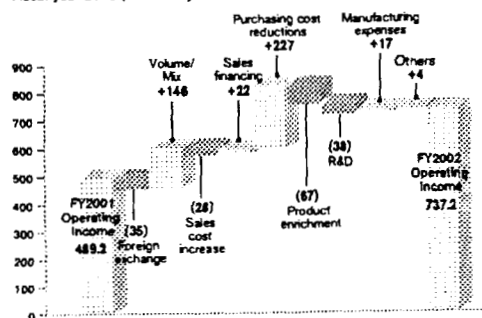
There are several factors behind the variance between the ¥489.2 billion consolidated operating profit in fiscal year 2001 and ¥737.2 billion in fiscal year 2002:

- The effect of foreign exchange rates produced a ¥35 billion negative impact on consolidated operating profits for the full year.
- The change in the scope of consolidation produced no impact on operating profits.
- Higher volumes and mix globally contributed ¥146 billion.
- Selling expenses increased by ¥28 billion.
- Sales finance companies contributed an additional ¥22 billion.

- Purchasing cost improvement was again a major contributor to the growth in profitability. The net accounting effect of this year's effort came to ¥227 billion, reinforcing the competitiveness of Nissan's supplier base.
- Product enrichment and regulation costs had a negative impact of ¥67 billion.
- As previously announced, an additional ¥38 billion was allocated to R&D related to Nissan's growing product development program and necessary additional expenses for new technologies.
- Increased efficiencies in manufacturing and logistics contributed an additional ¥17 billion.
- General and administrative expenses and others factors increased profit by ¥4 billion.

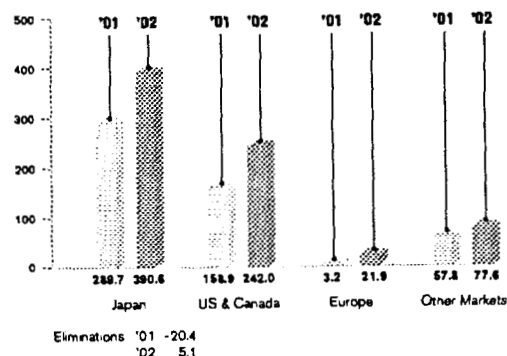
#### Impacts on Operating Profit

Fiscal year 2002 (Billions of yen)



#### Operating Income by Region

Fiscal years 2001-2002 (Billions of yen)



## NET INCOME

Current taxes and deferred taxes came to ¥198.7 billion, which represents 29% of income before income taxes. The evaluation loss of Nissan Europe NV in Amsterdam at the non-consolidated loss reduced first-half consolidated taxes, which made the effective tax rate lower than the normal rate. Minority interest in companies not fully owned by Nissan represented a charge of ¥0.7 billion for fiscal year 2002.

Nissan reported a consolidated net income of ¥495.2 billion, an increase of 33.0%, or 7.3% net margin, in fiscal year 2002, compared to ¥372.3 billion in fiscal year 2001. This is the best net result in the company's history.

## FINANCIAL POSITION

### ASSETS

Total consolidated assets increased by 1.9% to ¥7.3 trillion in fiscal year 2002, compared to ¥7.2 trillion at the end of fiscal year 2001.

Current assets increased by 5.2% or ¥183 billion during fiscal year 2002 to ¥3.7 trillion. Sales finance receivables increased by ¥181 billion, mainly due to higher penetration by Nissan Motor Acceptance Corporation (NMAC).

Fixed assets decreased by 1.3% to ¥3.6 trillion yen from ¥3.7 trillion, caused mainly by the decrease of investment securities by the reclassification of treasury stock holding by associated companies to equity. Property, plant and equipment increased by ¥110.2 billion as the net of CAPEX ¥377.9 billion, including the investment in the new Canton, Mississippi plant, and depreciation of ¥204.2 billion.

In May, Nissan purchased an additional 1.5% of Renault, bringing the total to 15% of Renault capital. The cross-shareholding is completed and is not to be changed in the foreseeable future.

## SHAREHOLDERS' EQUITY

Total shareholder equity increased from ¥1.62 trillion to ¥1.81 trillion in fiscal year 2002, thanks to improved profitability.

Consolidated shareholder equity strengthened during the fiscal year, representing 26% of total revenues and 25% of total assets.

At the shareholder meeting on June 19, 2003, the company proposed increasing its dividend to ¥14 per share in 2002, from ¥8 in 2001. Nissan's three-year dividend plan is to increase dividend per share to ¥19 yen in 2003 and ¥24 in 2004.

## DEBT

The objective of eliminating net automotive debt was achieved at the end of fiscal year 2002—two years ahead of the NISSAN 180 plan—showing a ¥8.6 billion net cash position at constant accounting standards. The generation of profit from the operation and improvement in working capital largely contributed to the reduction in fiscal year 2002.

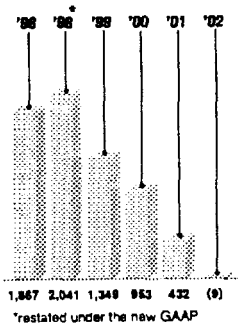
The net automotive debt of ¥2.1 trillion yen that existed at the end fiscal year 1999 was totally eliminated.

Nissan has been upgraded by rating agencies and is now in the investment grade category.

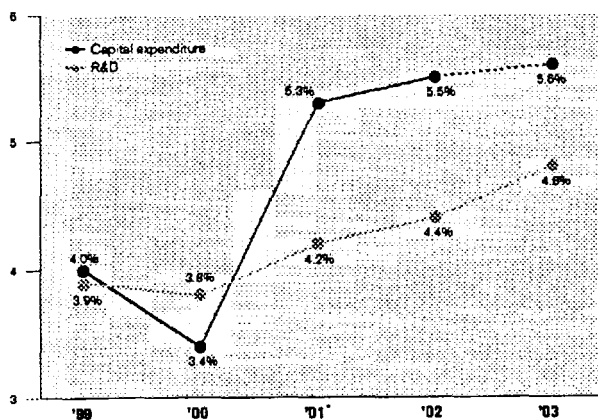
## CASH FLOW

Consolidated cash generated from operating activities more than doubled during fiscal year 2002, to ¥575 billion from ¥222 billion the year before. The higher profits from operations and improved working capital requirements. This cash was mainly used for investments for future growth.

Net Consolidated Automotive Debt  
(Billions of yen)



Investment for Growth  
Fiscal years 1999-2003 (% to net sales)



\*Figures from 2001 onward include investment in the Canton plant

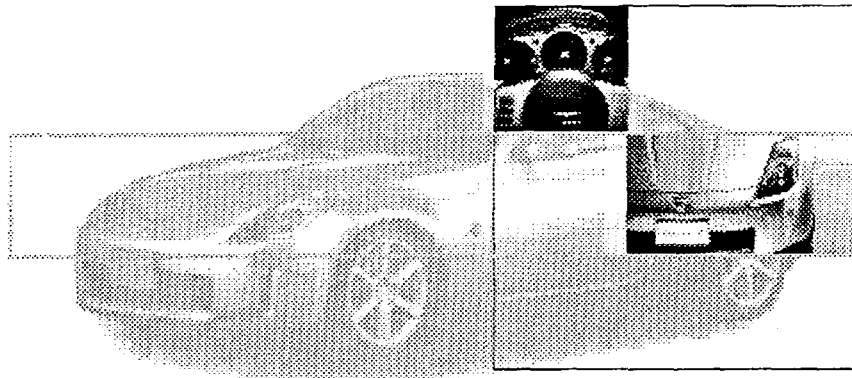
## Consolidated Balance Sheets

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal years 2002 and 2001

		Millions of yen		Thousands of U.S. dollars <sup>(Note 3)</sup>
	As of	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents <sup>(Note 8)</sup>		¥ 269,817	¥ 279,653	\$ 2,248,475
Short-term investments <sup>(Note 19)</sup>		36	666	300
Receivables, less allowance for doubtful receivables <sup>(Notes 4 and 8)</sup>		2,328,383	2,179,854	19,403,191
Inventories <sup>(Note 5)</sup>		543,608	534,051	4,530,067
Other current assets		558,213	523,031	4,651,775
Total current assets		3,700,057	3,517,255	30,833,808
Property, plant and equipment, at cost <sup>(Notes 6, 8 and 16)</sup>		6,201,074	6,211,552	51,675,617
Less accumulated depreciation		(3,211,740)	(3,332,394)	(26,764,500)
Property, plant and equipment, net		2,989,334	2,879,158	24,911,117
<b>Investments and other assets<sup>(Notes 8 and 19)</sup>:</b>				
Investment securities:				
Unconsolidated subsidiaries and affiliates		236,404	117,969	1,970,033
Other		30,642	281,144	255,350
Other assets		392,746	419,479	3,272,884
Total investments and other assets		659,792	818,592	5,498,267
Total assets		¥7,349,183	¥7,215,005	\$61,243,192

LIABILITIES AND SHAREHOLDERS' EQUITY	As of	Millions of yen		Thousands of U.S. dollars <sup>(Note 3)</sup>
		2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
<b>Current liabilities:</b>				
Short-term borrowings and current portion of long-term debt <sup>(Note 8)</sup>		¥1,315,222	¥1,424,804	\$10,960,184
Notes and accounts payable <sup>(Note 7)</sup>		1,047,364	990,273	8,728,033
Accrued income taxes <sup>(Note 13)</sup>		36,907	46,706	307,558
Other current liabilities		522,325	546,232	4,352,708
<b>Total current liabilities</b>		<b>2,921,818</b>	<b>3,008,015</b>	<b>24,348,483</b>
<b>Long-term liabilities:</b>				
Long-term debt <sup>(Note 8)</sup>		1,603,246	1,604,955	13,360,383
Accrued retirement benefits <sup>(Note 9)</sup>		433,266	400,342	3,610,550
Accrual for losses on business restructuring		—	49,591	—
Accrual for warranty costs		154,582	160,938	1,288,184
Other long-term liabilities		339,516	293,053	2,829,300
<b>Total long-term liabilities</b>		<b>2,530,610</b>	<b>2,508,879</b>	<b>21,088,417</b>
<b>Minority interests in consolidated subsidiaries</b>		<b>88,451</b>	<b>77,289</b>	<b>737,092</b>
<b>Shareholders' equity<sup>(Notes 10, 14 and 22):</sup></b>				
Common stock, without par value:				
Authorized—6,000,000,000 shares;				
Issued —4,520,715,112 shares in 2002 and 4,517,045,210 shares in 2001		605,814	604,556	5,048,450
Capital surplus		804,470	803,212	6,703,917
Retained earnings		878,655	430,751	7,322,125
Unrealized holding gain on securities		1,831	4,406	15,258
Translation adjustments		(320,276)	(221,973)	(2,668,967)
		<b>1,970,494</b>	<b>1,620,952</b>	<b>16,420,783</b>
Less treasury common stock, at cost; 54,512,876 shares in 2002 and 173,987 shares in 2001		(162,190)	(130)	(1,351,583)
<b>Total shareholders' equity</b>		<b>1,808,304</b>	<b>1,620,822</b>	<b>15,069,200</b>
<b>Commitments and contingencies<sup>(Note 17)</sup></b>				
<b>Total liabilities and shareholders' equity</b>		<b>¥7,349,183</b>	<b>¥7,215,005</b>	<b>\$61,243,192</b>

See notes to consolidated financial statements.

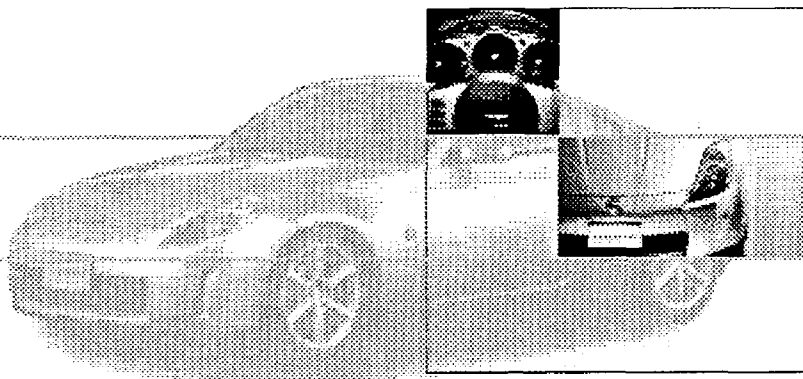


## Consolidated Statements of Income

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal years 2002, 2001 and 2000

For the years ended	Millions of yen			Thousands of U.S. dollars <sup>(Note 3)</sup>
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
<b>Net sales</b>	<b>¥6,828,588</b>	<b>¥6,196,241</b>	<b>¥6,089,620</b>	<b>\$56,904,900</b>
<b>Cost of sales</b> <sup>(Notes 6 and 11)</sup>	<b>4,872,324</b>	<b>4,546,526</b>	<b>4,633,780</b>	<b>40,602,700</b>
Gross profit	1,956,264	1,649,715	1,455,840	16,302,200
<b>Selling, general and administrative expenses</b> <sup>(Notes 6 and 11)</sup>	<b>1,219,034</b>	<b>1,160,500</b>	<b>1,165,526</b>	<b>10,158,617</b>
Operating income	737,230	489,215	290,314	6,143,583
<b>Other income (expenses):</b>				
Interest income	7,566	12,250	7,692	63,050
Interest expense	(25,060)	(34,267)	(42,241)	(208,833)
Equity in earnings of unconsolidated subsidiaries and affiliates	11,395	921	9,239	94,958
Other, net <sup>(Note 12)</sup>	(36,507)	(103,903)	24,694	(304,225)
	(42,606)	(124,999)	(616)	(355,050)
Income before income taxes and minority interests	694,624	364,216	289,698	5,788,533
<b>Income taxes</b> <sup>(Note 13):</sup>				
Current	113,185	87,446	68,105	943,208
Deferred	85,513	(102,148)	(130,637)	712,608
	198,698	(14,702)	(62,532)	1,655,816
<b>Minority interests</b>	<b>(761)</b>	<b>(6,656)</b>	<b>(21,155)</b>	<b>(6,342)</b>
<b>Net income</b> <sup>(Note 18)</sup>	<b>¥ 495,165</b>	<b>¥ 372,262</b>	<b>¥ 331,075</b>	<b>\$ 4,126,375</b>

See notes to consolidated financial statements.



# Consolidated Statements of Shareholders' Equity

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal years 2002, 2001 and 2000

For the years ended	Millions of yen			Thousands of U.S. dollars <sup>(Note 3)</sup>
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
<b>Common stock:</b>				
Balance at beginning of the year				
(2002—4,517,045,210 shares;				
2001—3,977,295,210 shares;				
2000—3,977,293,751 shares)	¥ 604,556	¥ 496,606	¥ 496,605	\$ 5,037,967
Private placement <sup>(Note 10)</sup>				
(2001—539,750,000 shares)	—	107,950	—	—
Conversion of convertible bonds				
(2002—3,669,902 shares				
2000— 1,459 shares;	1,258	—	1	10,483
Balance at end of the year				
(2002—4,520,715,112 shares;				
2001—4,517,045,210 shares;				
2000—3,977,295,210 shares)	¥ 605,814	¥ 604,556	¥ 496,606	\$ 5,048,450
<b>Capital surplus:</b>				
Balance at beginning of the year	¥ 803,212	¥ 690,262	¥ 690,262	\$ 6,693,434
Private placement <sup>(Note 10)</sup>	1,258	112,950	—	10,483
Conversion of convertible bonds	—	—	0	—
Balance at end of the year	¥ 804,470	¥ 803,212	¥ 690,262	\$ 6,703,917
<b>Retained earnings (deficit):</b>				
Balance at beginning of the year	¥ 430,751	¥ 87,626	¥(237,301)	\$ 3,589,592
Net income	495,165	372,262	331,075	4,126,375
Cash dividends paid	(50,800)	(27,841)	—	(423,333)
Bonuses to directors and statutory auditors	(407)	(286)	(131)	(3,392)
Other <sup>(Note 14)</sup>	3,946	(1,010)	(6,017)	32,883
Balance at end of the year	¥ 878,655	¥ 430,751	¥ 87,626	\$ 7,322,125
<b>Unrealized holding gain on securities:</b>				
Balance at beginning of the year	¥ 4,406	¥ 1,438	¥ —	\$ 36,717
Net change during the year	(2,575)	2,968	1,438	(21,459)
Balance at end of the year	¥ 1,831	¥ 4,406	¥ 1,438	\$ 15,258
<b>Translation adjustments:</b>				
Balance at beginning of the year	¥(221,973)	¥(316,481)	¥(365,526)	\$(1,849,775)
Net change during the year	(98,303)	94,508	49,045	(819,192)
Balance at end of the year	¥(320,276)	¥(221,973)	¥(316,481)	\$(2,668,967)

See notes to consolidated financial statements.



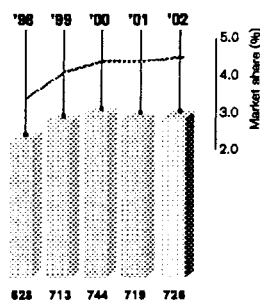
MAXIMA



INFINITI G35 SEDAN

## US

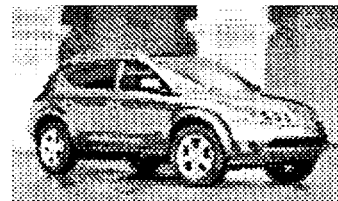
**Unit Sales**  
(Thousands of units, retail sales basis)



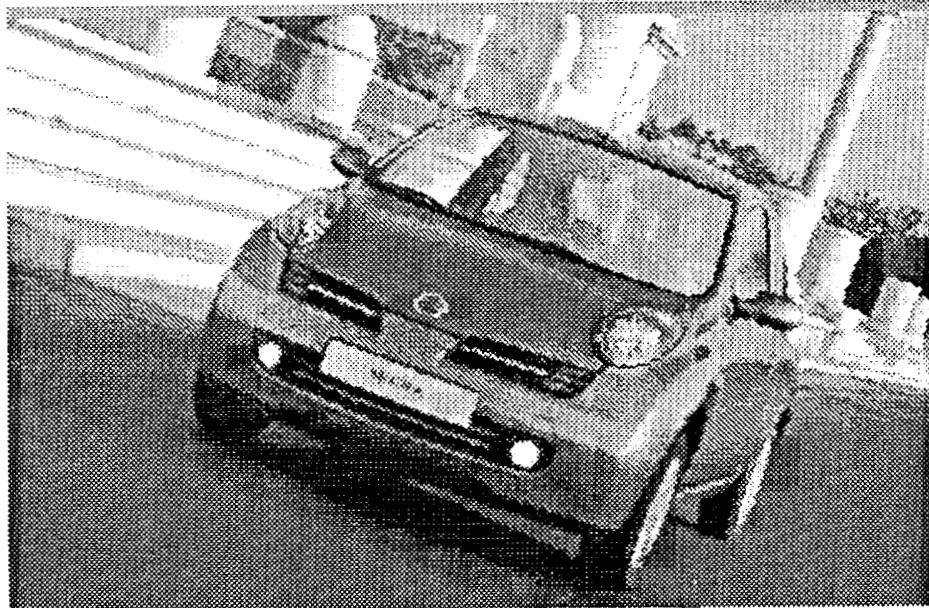
While the US market declined by 1.9 percent during 2002, Nissan sales rose by one percent to 726,000 units. The Infiniti Division had its highest sales year ever since the founding of the division in 1989, making it the fastest-growing luxury brand in the United States. The growth to 96,000 units was driven by the G35 Sedan and Coupe, named Motor Trend's Car of the Year, as well as the FX45 and M45. Infiniti also boasts the lowest incentives in the luxury segment of the industry.

Nissan Division sales were down 2.7 percent, to 631,000 units. Both the Altima and 350Z continued to sell strongly; Altima sales were up 30 percent over the previous year, to 204,000 units, while the 350 Z is the

best-selling sports car in the US. Nissan's strategy continues to be profitability rather than volume, so the record levels of incentives in the entry-level sedan and truck segments—and Nissan's resistance to them—resulted in lower than expected results for the Sentra, Frontier and Xterra. The Murano and Maxima, launched in the last quarter of fiscal year 2002, are beginning to make a significant contribution to sales.



MURANO



MICRA



X-TRAIL

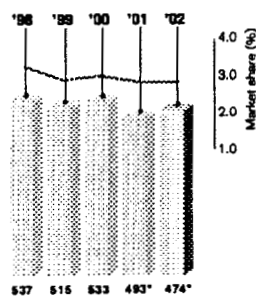


PICKUP

## Europe

### Unit Sales

(Thousands of units, retail sales basis)



\* Sales figures for Turkey and Israel are included from FY2001

Sales in Europe remain a challenge; total industry volumes decreased by 2 percent during the fiscal year, with Nissan sales declining by 3.8 percent to 474,000 units. However, with the European fiscal year ending in December, the very strong sales of the new Micra were not reflected in Nissan's sales figures. For the last

quarter of Nissan's fiscal year 2002, Micra sales were up 42 percent over the same period one year ago. To meet this increased demand, Micra production capacity at Nissan's Sunderland Plant in the UK is being increased by 25 percent, to 200,000 units. The Pickup and X-Trail were also strong contributors to European sales.



SUNNY

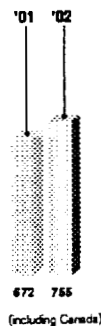
### Asia/Oceania

The rapidly expanding Chinese market once again was the setting for more than double the sales of the previous year. Sales in Taiwan also increased by 15.3 percent to 61,900 units, giving Nissan third place in the market. Thailand also showed major growth of 28 percent to 44,400 units, buoyed by increased sales of the Frontier Pickup. Significant growth also came from the Australian market, where Nissan sales rose by 12.8 percent. This was driven by strong sales of the X-Trail and 4WD Pickup.



X-TRAIL

**Unit Sales**  
(Thousands of units,  
retail sales basis)



### GCC Countries

Nissan sales throughout the region were the highest on record since 1982. The Pathfinder and Sunny were particularly popular models throughout the region. However, sales in Saudi Arabia decreased by 13 percent, due to a sluggish automobile market resulting from tensions surrounding the Iraq conflict.

### South Africa

Strong sales of the Almera and the introduction of the Pickup helped to build a 10.6 percent increase in sales to 29,900 units in South Africa.

### Mexico

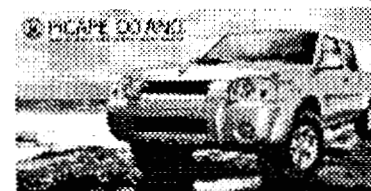
Nissan recorded excellent results in Mexico, with sales increasing by 11.3 percent to 211,600 units. Both the Tsuru and Sentra remain popular models in the country.



SENTRA

### Latin America and the Caribbean

Despite ongoing economic and social unrest in Argentina and Venezuela, and a depressed market trend in Brazil, Nissan sales in Latin America and the Caribbean were the best since 1998. Sales growth was 22.5 percent over fiscal year 2001, boosting Nissan's market share to 2.2 percent, a rise of 0.6 percent. This was largely due to the successful launch of the Frontier Pickup, produced in Brazil—winner of three awards including Pickup of the Year—as well as buoyant sales in Central America, the Dominican Republic and Puerto Rico.

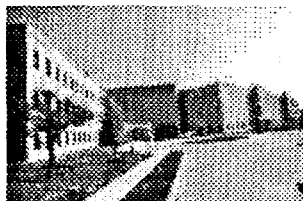


FRONTIER

## Sales Financing

Sales financing business forms an integral part of Nissan's core business and supports automotive sales strongly, while maintaining strong profitability and healthy financial conditions through strict risk management.

### Providing Comprehensive Sales Financing Services



New NMAC Customer Service Center, Texas

Nissan sales financing companies in Japan, the US and Canada made a significant contribution to financial results during fiscal year 2002. Revenues increased by 7.9 percent to ¥396 billion, while assets grew by 8.4 percent to ¥3,104 billion. In Japan, sales finance activities were more fully integrated into the sales strategy of the domestic sales division, creating a deeper collaboration with dealers, manufacturer and finance company. Sales financing in the US also showed steady growth. The growth of Nissan's financing business is supported by strict risk management and a conservative credit policy to help it maintain asset quality at a high level.

Operating profit was ¥60 billion, equal to a 15.2 percent operating margin in fiscal year 2002, with a global ROA before tax exceeding 1.5 percent.

#### Increased Japanese Penetration

Nissan Financial Service (NFS) supports domestic car sales through comprehensive financial products and services, including auto loans, car leasing, credit cards, car rental and car insurance. During fiscal year 2002, NFS increased credit penetration on new car sales to 22.4 percent, from 18.7 percent the previous year. This increase was achieved by a series of attractive

financial programs jointly introduced with the domestic car sales division, and through improved services to dealers and customers. NFS drastically reduced credit decision times through advanced web technology and auto scoring systems. NFS's Customer Service Center plays an active role in communicating with and serving customers in an interactive way.

NFS also enhanced its corporate customer activities through car leasing and competitive fleet management systems. In April of 2003, NFS and Nissan's domestic sales division established a new joint organization for corporate fleet business activities.

#### Expanding US Operations

Nissan Motor Acceptance Corporation (NMAC) strengthened its US market presence in fiscal year 2002, with the new car penetration rate growing from 52 percent in the previous year to 54 percent. NMAC's Infiniti Division received the top luxury brand ranking in JD Power's consumer survey 2002 for initial loan satisfaction. NMAC's new customer service center facility in Irving, Texas, which will allow for more efficient customer and dealer service, was completed in April 2003. This 268,000-square-foot center is designed to accommodate the growth of NMAC expected with future vehicle sales expansion.

Dealer inventory financing is another area for NMAC, Nissan/Infiniti dealers using this service grew from 25 percent at the end of fiscal year 2001 to 35 percent in 2002.

NMAC also reinforced its cooperation with its sister company in Canada, Nissan Canada Finance Inc (NCFI) by sharing its know-how and back office functions. As a result, NCFI's assets grew by 46 percent, with penetration on new car sales reaching 49 percent at a time when Nissan sales in Canada grew rapidly.

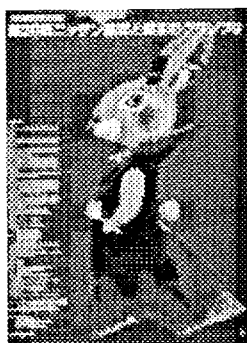


NFS Customer Service Center, Japan

## Corporate Citizenship

As the world changes, shifting from the industrial to the intellectual, Nissan's goal is to be a company that transforms with the times—one that helps create social values. Investment in the Future: Nissan's goal of finding people looking to the future and to provide them with the opportunity to help build tomorrow's society.

## Supporting Tomorrow's Society



Nissan Children's Storybook and Picture Book Grand Prix

### Global Investment

In Japan, Nissan has held the Nissan Children's Storybook and Picture Book Grand Prix contest since 1984. The contest is intended to discover and publicize outstanding works and writers of children's literature. The winning entries are published and donated by Nissan dealers to some 3,500 libraries throughout Japan.

Nissan directly invests in society through its partnership with a number of non-profit organizations (NPOs), particularly in the areas of fostering the creativity of children and of building better understanding of environmental protection. These include storybook contests, concert support, educational



Nissan-NPO Learning Scholarship award ceremony, June 23, 2003

programs, and more. For example, Nissan is the main sponsor of the Hans Christian Andersen Awards, an international program for the creators of children's books. Nissan has also entered the sixth year of the Nissan-NPO Learning Scholarship Program, a program to give young people an opportunity to expand their intellectual capacities through a work experience at a non-profit organization.

The Nissan Science Foundation, established in 1974, provides research grants for cutting-edge research in the fields of environmental and natural science.

### International Efforts

Locally, Nissan group companies in North America and Europe are involved in a vast range of corporate citizenship projects, responding to the needs of each country.

In the US, the Nissan Mississippi Scholarship Fund, draws from a US\$1million fund to assist state high school students with college tuition. Nissan is also a sponsor of the Hispanic Scholarship Fund, aiding Hispanic students with college tuition grants. The Nissan Foundation, established in 1992, supports educational programs that celebrate and foster an appreciation and understanding for a diverse cultural heritage as essential for enhancing human potential and building community. The foundation also works to enhance career potentials for young people in the local area in the automobile industry. Nissan is a supporter of United We Stand, has donated \$1 million to the American Red Cross in Washington, D.C. and the Twin Towers Fund, and has further matched



Nissan/Hispanic Scholarship Fund

employee contributions to these funds. To date, Nissan has contributed an additional \$337,000 in direct and matching contributions from Nissan employees. Nissan Neighbors is a company-wide, community-focused initiative supporting organizations that are working to improve communities across the nation.

In France, Nissan is making a donation to UNICEF for every model of the 4x4 range sold between April 1, 2003 and March 31, 2004. The funds will be used to vaccinate children against the six most common illnesses, largely in Mauritania. The donation from every vehicle will allow the vaccination of three children; with an estimated 10,000 units anticipated to be sold in France, this will allow for the vaccination of at



An accelerated school in the US, recipient of a Nissan Foundation grant

least 30,000 children. Nissan is also donating a Patrol equipped with refrigeration units to the local UNICEF office, which will be used to preserve the vaccines during the campaign.

In the UK, Nissan established the Nissan Institute of Japanese Studies at Oxford University in 1981. Throughout Europe, the company and its employees are involved in a wide array of projects, from Christmas gift gathering in the UK to a variety of educational and training programs throughout the region. In May 2003, Nissan made a significant donation including four Paladin SUVs and a bus to China to support the battle against SARS.



Nissan Institute of Japanese Studies, Oxford

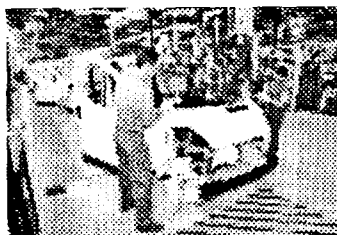
#### Focus on Employees

Nissan's efforts in helping to build a better society for tomorrow are not entirely external; Nissan has consistently worked to raise a spirit of community involvement among its employees, including financial support for volunteer activities. These have included fund-raising and blood donations after the massive Hanshin earthquake in Japan in 1995 and the September 11 terrorist attacks in the US, Afghan refugee relief activities, and more.

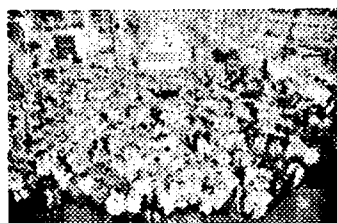
## Alliance

The Alliance with Renault has been an integral part of Nissan's return to long-term, profitable growth. The synergies resulting from this joining of forces has created countless new activities in purchasing, shared production, common platforms, stronger distribution in markets worldwide, and more.

## Synergies for Growth



Nissan Motor Ibérica, S.A. Primastar assembly line



Celebrating the Frontier, the first vehicle produced at Nissan and Renault's first joint plant in Brazil

The agreement to form the Renault-Nissan Alliance was announced on March 27, 1999. This alliance is the first of its kind, involving a Japanese and French company each with its own distinct corporate culture and brand identity. Both companies share a single joint strategy of profitable growth and a community of interests. To promote this shared objective, the Renault-Nissan Alliance set up joint project structures as early as June of 1999, covering most activities at both companies.

Today global combined sales have reached five million vehicles per year, representing more than nine percent of global market share.

Thanks to the strong sales and industrial complementarities of the two companies, the Renault-Nissan Alliance has been able to grow in the global automotive market. These complementarities generate considerable potential for exchanges of best practices leading to cost savings and synergies.

At present, each company has a direct interest in the results of its

partner. At the end of March 2003, Renault held a 44.3 percent stake in Nissan, while Nissan owns 15 percent of Renault shares.

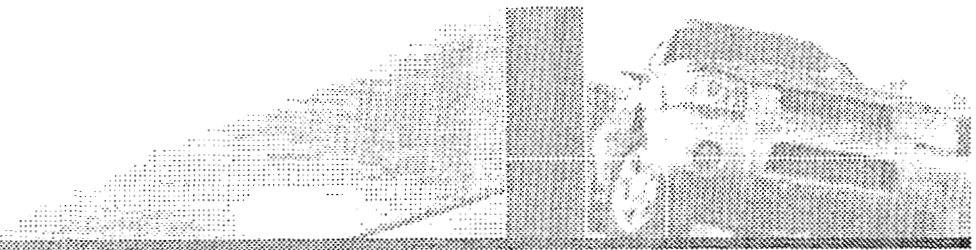
### Alliance Structure

On March 28, 2002, Renault Nissan BV, the alliance strategic management company, was founded. Renault Nissan BV is jointly and equally owned by Nissan and Renault and hosts the Alliance Board, which met for the first time on May 29, 2002.

The Alliance Board is responsible for medium- and long-term strategic decisions—three-, five- and 10-year plans—and reinforces the management structure of Renault-Nissan products and powertrains and sets out the principles of the two partners' financial policy. The Alliance Board has the exclusive right to propose the creation of joint companies to Nissan and Renault, as well as significant changes in market or product coverage, major investments and third-party strategic cooperation. The Board steers the Renault-Nissan Purchasing Organization (RNPO) and Renault-Nissan Information Services (RNIS).

### Alliance Achievements

The first four years of cooperation between Nissan and Renault have already resulted in a considerable number of achievements, such as developing common platforms, sharing industrial facilities, cooperating in research and setting up joint structures in purchasing, information systems and sales.



## RENAULT NISSAN

### PRODUCTS:

#### Cross-badging, common platforms, joint powertrain use

- 2001 September:** Sales of the Renault Kangoo 4x4, fitted with a Nissan transmission system, begin.
- 2002 March:** The Nissan March, the first vehicle built on a common platform, goes on sale in Japan.
- March:** Sales of the Renault Vel Satis fitted with the Nissan VQ35 V6 3.5-liter engine, begin.
- March:** The Nissan Interstar, an adapted version of the Renault Master, goes on sale in Europe.
- April:** Sales of the Nissan Platina produced at Nissan's Aguascalientes Plant, Mexico, begin.
- September:** Sales of the Renault Mégane II, based on the common C platform, begin.
- October:** Sales of the Primastar, the first cross-manufacturing project in Europe, begin.
- December:** European sales of the Nissan Almera with the Renault 1.5 diesel begin.
- 2003 January:** The new Nissan Micra, based on the March and built on the common B platform, is launched in Europe.
- March:** European sales of the Nissan Primera with the Renault 1.9 diesel begin.
- April:** Sales of the Micra with the Renault 1.5 diesel engine begin, completing the new common-rail diesel engine lineup for the European market.

### SALES AND MARKETING:

#### Entry into new markets with partner support, reorganization of dealer network

- 2000 October:** Renault begins distribution of Nissan vehicles in Morocco.
- 2001 February:** The first joint Single Legal Entity (SLE) companies are established in Switzerland and the Netherlands.
- May:** The first Renault showroom in Australia opens, with support from Nissan.
- July:** Sales of Renault cars in Taiwan through local Nissan distributor begin.
- November:** Sales of Renault cars in Indonesia through local Nissan distributor begin.
- 2002 September:** Renault and Nissan's new common commercial organization in Europe, the third SLE, is established in Germany.
- December:** The FASA Group, Nissan's distributor in Panama, becomes a Renault importer.

- 2003 January:** Sales of Renault vehicles through local Nissan sales network in Kuwait begin.

**January:** Renault begins managing the importing and distribution of Nissan vehicles in Romania.

**February:** Sales of Renault vehicles through local Nissan sales network in Bahrain begin.

**May:** Sales of Renault vehicles through local Nissan sales network in Qatar begin.

**May:** Distribution of Nissan cars by Renault Importer (ARTES) in Tunisia begins.

**June:** A common commercial organization, the fourth SLE, is established in Austria.

### MANUFACTURING:

#### Sharing facilities, exchanging best practices

- 2000 December:** Production of the Renault Scénic at Nissan's Cuernavaca Plant, Mexico, begins.
- 2001 December:** Production of the Renault Clio at Nissan's Aguascalientes Plant, Mexico, begins.
- December:** Renault and Nissan inaugurate a joint light commercial vehicle (LCV) plant in Curitiba, Brazil.
- December:** Production of the Renault Master Van, the first model produced at the Curitiba LCV plant, begins.
- 2002 March:** Production of the Nissan Platina, derived from the Renault Clio, begins at Nissan's Aguascalientes, Mexico plant.
- April:** Production of the Nissan Frontier pickup, the second model produced at the Curitiba LCV plant, begins.
- October:** Production of the X83 compact van, the first cross-manufacturing project in Europe (sold as the Renault Trafic, Nissan Primastar and Opel/Vauxhall Vivaro) begins at Nissan's Barcelona, Spain, plant.
- 2003 March:** Production of the Nissan Xterra, the third model produced at the Curitiba LCV plant, begins.

### PURCHASING, INFORMATION SYSTEMS

- 2001 April:** Joint purchasing company Renault Nissan Purchasing Organization (RNPO) is established.
- 2002 July:** Renault-Nissan Information Services (RNIS) established.

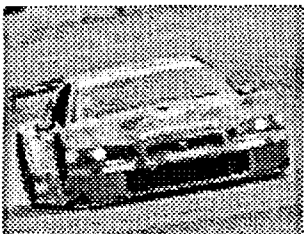
## Motorsports

Motorsports are an exciting showcase for the Nissan brand—and Nissan is involved at all levels, from international rally raid to grassroots motor sports activities where the general public can enjoy the excitement of automobile racing.

### Putting Technology to the Test



Nissan at the Dakar Rally



Japan GT Championship

At Nissan, motorsports are the passionate expression of the brand, providing excitement for customers and excellent exposure around the world. Racing is also an outstanding opportunity for both advancing and showcasing the company's technological capabilities.

Nissan has a long history of involvement in motorsports, including rally, Le Mans 24 Hours, Indy Racing League, touring-car racing and other categories. Nissan continues to challenge its competitors on stages around the world, particularly in categories that take models close to the actual Nissan commercial lineup—for a stronger impact in enhancing the brand and Nissan sales.

#### Nissan Rally Raid Team

Nissan technology is truly challenged in the grueling Dakar Rally, a roughly three-week, 8,500-kilometer-plus race from France to Africa across uncompromising desert terrain. The Dakar Rally is an outstanding showcase of 50 years of Nissan 4x4 experience, with a worldwide audience and

particular interest in Europe.

In its first year participating as a full works team at the Dakar Rally 2003, Nissan made an amazing showing. Three of the five South African-produced Nissan Pickup trucks entered, finished with remarkable fifth-, seventh- and 11th-place results. The Team is now in the second year of a four-year challenge to win the Rally, and data gained during this highly successful attempt will be used in the coming years to move even closer to the winner's circle.

#### Japan GT Championship

Japan's most popular touring car race series is the Japan GT Championship, and Skyline GT-Rs are there fighting for position in this exciting racing format. The race brings together highly modified version of production line vehicles with a set of tight technical regulations to ensure very tough competition before crowds averaging 50,000.

#### March Cup One-Make Race

Racing is largely a spectator sport, but Nissan is making the excitement of race driving a reality for many average Japanese through its March Cup One-Make Race series. Using a standard Nissan automobile—currently a version of the highly popular March—with standardized adaptations for racing, the series gives amateurs a truly professional, yet affordable, standard for racing. The series also features a school where drivers not only pick up tips on improving lap times through analysis of their onboard data-loggers, but instruction in track etiquette and maintenance techniques from professional drivers.

# Consolidated Statements of Cash Flows

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal years 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars <sup>(Note 3)</sup>
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
<b>Operating activities</b>				
Income before income taxes and minority interests	¥ 694,624	¥ 364,216	¥ 289,698	\$ 5,788,533
Depreciation and amortization relating to:				
Leased assets	158,370	169,213	133,145	1,319,750
Other assets	212,755	205,614	227,046	1,772,958
(Reversal of) provision for allowance for doubtful receivables	(503)	39,273	17,320	(4,192)
Unrealized loss on securities	769	6,757	14,152	6,408
Unrealized loss on leased vehicles	6,050	6,069	7,619	50,417
Interest and dividend income	(8,520)	(13,837)	(11,139)	(71,000)
Interest expense	80,255	102,656	108,188	668,792
Gain on sales of property, plant and equipment	(58,796)	(28,229)	(55,497)	(489,967)
Loss on disposal of property, plant and equipment	15,587	11,285	16,730	129,892
(Gain) loss on sales of securities	(4,324)	26,823	(65,043)	(36,033)
Amortization of net retirement benefit obligation at transition	23,923	23,925	24,729	199,358
Provision for accrued retirement benefits	100,629	60,870	82,075	838,575
Retirement benefits paid	(86,917)	(81,326)	(67,351)	(724,308)
Business restructuring costs paid	(4,644)	(9,213)	(28,035)	(38,700)
Receivables	44,989	7,334	(100,533)	374,908
Finance receivables	(327,357)	(434,665)	(389,555)	(2,727,975)
Inventories	(28,404)	53,162	16,633	(236,700)
Notes and accounts payable	36,877	78,255	24,476	307,309
Other	(83,947)	(178,517)	(6,837)	(699,558)
Subtotal	771,416	409,665	217,821	6,428,467
Interest and dividends received	8,238	11,483	8,024	68,650
Interest paid	(80,902)	(104,958)	(109,206)	(674,183)
Income taxes paid	(123,374)	(93,976)	(43,388)	(1,028,117)
Net cash provided by operating activities	575,378	222,214	73,251	4,794,817
<b>Investing activities</b>				
Decrease in short-term investments	789	3,411	3,690	6,575
Purchases of investment securities	(32,053)	(230,397)	(9,294)	(267,108)
Proceeds from sales of investment securities	45,263	99,666	177,731	377,192
Long-term loans made	(11,343)	(8,730)	(2,280)	(94,525)
Collection of long-term loans receivable	13,097	6,978	9,831	109,142
Purchases of fixed assets	(377,929)	(293,800)	(205,636)	(3,149,408)
Proceeds from sales of property, plant and equipment	98,699	108,935	98,692	822,492
Purchases of leased vehicles	(483,704)	(396,213)	(362,781)	(4,030,867)
Proceeds from sales of leased vehicles	259,075	185,152	192,635	2,158,958
Proceeds from sales of subsidiaries' stock resulting in changes in the scope of consolidation <sup>(Note 15)</sup>	8,395	13,639	10,331	69,958
Additional acquisition of shares of consolidated subsidiaries	(692)	(2,634)	(2,568)	(5,767)
Proceeds from sales of business <sup>(Note 15)</sup>	-	-	40,379	-
Other	(34,971)	(10,396)	33,685	(291,425)
Net cash used in investing activities	(515,374)	(524,389)	(15,585)	(4,294,783)
<b>Financing activities</b>				
(Decrease) increase in short-term borrowings	(54,310)	308,869	(16,403)	(452,584)
Increase in long-term borrowings	534,053	631,451	248,298	4,450,442
Increase in bonds and debentures	85,000	246,822	50,000	708,333
Repayment or redemption of long-term debt	(524,115)	(1,092,066)	(555,045)	(4,367,625)
Proceeds from issuance of new shares of common stock	-	220,899	-	-
Purchases of treasury stock	(58,383)	-	-	(486,525)
Proceeds from sales of treasury stock	5,670	2,324	25,975	47,250
Repayment of lease obligations	(9,879)	(9,543)	(15,919)	(82,325)
Cash dividends paid	(50,800)	(27,841)	-	(423,333)
Net cash (used in) provided by financing activities	(72,764)	280,915	(263,094)	(606,367)
Effect of exchange rate changes on cash and cash equivalents	654	10,371	7,155	5,450
Decrease in cash and cash equivalents	(12,106)	(10,889)	(198,273)	(100,883)
Cash and cash equivalents at beginning of the year	279,653	288,536	490,708	2,330,441
Increase due to inclusion in consolidation	2,297	2,006	564	19,142
Decrease due to exclusion from consolidation	(27)	-	(4,463)	(225)
Cash and cash equivalents at end of the year	¥ 269,817	¥ 279,653	¥ 288,536	\$ 2,248,475

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Nissan Motor Co., Ltd. and Consolidated Subsidiaries  
Fiscal year 2002 (Year ended March 31, 2003)

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### 1. BASIS OF PRESENTATION

Nissan Motor Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material

respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of the Company's subsidiaries in certain foreign countries including Mexico have been prepared based on general price-level accounting. The related revaluation adjustments made to reflect the effect of inflation in those countries in the accompanying consolidated financial statements have been charged or credited to operations and are directly reflected in retained earnings.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method over periods not exceeding 20 years.

#### (b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year, except for those of the subsidiary in Mexico which are translated at the rate of exchange in effect at the balance sheet date. Translation adjustments are presented as a component of shareholders' equity and minority interests in its consolidated financial statements.

#### (c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

#### (d) Inventories

Inventories are stated principally at the lower of cost or market. The cost of finished products, work in process and purchased parts is determined primarily by the average method, and the cost of raw materials and supplies is determined primarily by the last-in, first-out method.

#### (e) Short-term investments and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

#### (f) Property, plant and equipment and depreciation

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

#### (g) Leases

Noncancelable lease transactions are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

**(h) Retirement benefits**

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet dates, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 8 years through 18 years) which are shorter than the average remaining years of service of the employees. Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain and loss.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 9 years through 15 years) which are shorter than the average remaining years of service of the employees.

See Note 9 for the method of accounting for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under Welfare Pension Fund Plan.

**(i) Income taxes**

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**(j) Research and development costs**

Research and development costs are charged to income when incurred.

**(k) Revenue recognition**

Revenue is generally recognized on sales of products at the time of shipment.

**(l) Accounting for sales incentive**

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales and gross profit for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year. However, this change had no impact on operating income and income before income taxes and minority interests. See Note 21.

**(m) Derivative financial instruments**

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates, and stock and commodity prices. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under: which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

**(n) Appropriation of retained earnings**

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 22.

**(o) Treasury stock and reduction of legal reserves**

Effective April 1, 2002 the Company adopted a new accounting standard for treasury stock and reduction of legal reserves. The effect of the adoption of this new accounting standard on operating results was immaterial for the year ended March 31, 2003.

**3. U.S. DOLLAR AMOUNTS**

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥120 = US\$1.00, the approximate rate of exchange in effect on March 31, 2003, has been used. The inclusion

of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

#### 4. RECEIVABLES

Receivables at March 31, 2003 and 2002 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Notes and accounts receivable	¥ 501,127	¥ 532,936	\$ 4,176,058
Finance receivables	1,896,953	1,716,024	15,807,942
Less allowance for doubtful receivables	(69,697)	(69,106)	(580,809)
	<b>¥2,328,383</b>	<b>¥2,179,854</b>	<b>\$19,403,191</b>

Finance receivables principally represent receivables from customers on loans made by financing subsidiaries in connection with sales of automobiles.

#### 5. INVENTORIES

Inventories at March 31, 2003 and 2002 were as follows:

As of	Millions of yen		Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Finished products	¥394,936	¥381,671	\$3,291,134
Work in process and other	148,672	152,380	1,238,933
	<b>¥543,608</b>	<b>¥534,051</b>	<b>\$4,530,067</b>

#### 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2003 and 2002 is summarized as follows:

As of	Millions of yen		Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Land	¥ 782,009	¥ 768,800	\$ 6,516,742
Buildings and structures	1,251,036	1,288,439	10,425,300
Machinery and equipment	3,914,070	3,997,661	32,617,250
Construction in progress	253,959	156,652	2,116,325
	<b>¥6,201,074</b>	<b>¥6,211,552</b>	<b>\$51,675,617</b>

Depreciation of property, plant and equipment for each of the three years in the period ended March 31, 2003 was as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
	<b>¥355,372</b>	<b>¥362,601</b>	<b>¥334,168</b>	<b>\$2,961,433</b>

## 7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable at March 31, 2003 and 2002 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Notes and accounts payable	¥ 656,411	¥ 611,311	\$5,470,092
Accrued expenses and other	390,953	378,962	3,257,941
	¥1,047,364	¥990,273	\$8,728,033

## 8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2003 and 2002, short-term borrowings and the current portion of long-term debt consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Loans, principally from banks	¥ 436,897	¥ 610,872	\$ 3,640,809
Import bills payable	—	2,390	—
Commercial paper	132,034	62,038	1,100,283
Current portion of long-term debt	746,291	749,504	6,219,092
	¥1,315,222	¥1,424,804	\$10,960,184

The annual interest rates applicable to short-term borrowings outstanding at March 31, 2003 and 2002 ranged principally from 0.1% to 7.8% and from 0.2% to 11.7%, respectively.

At March 31, 2003 and 2002, long-term debt consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Debt with collateral:			
Loans from banks and other financial institutions due through 2012 at rates ranging from 0.7% to 8.0%	¥1,039,807	¥ 926,113	\$ 8,665,058
Debt without collateral:			
Loans from banks and other financial institutions due through 2018 at rates ranging from 0.1% to 6.4%	442,796	520,496	3,689,967
Bonds in yen due through 2007 at rates ranging from 0.6% to 3.6%	617,320	626,100	5,144,333
Medium-term notes in U.S. dollars due through 2008 at rates ranging from 1.3% to 3.3%	59,258	4,130	493,817
Euro medium-term notes in yen, U.S. dollars and Euro due through 2006 at rates ranging from 2.5% to 5.0%	17,556	102,254	146,300
1.6% convertible bonds in yen due 2003	—	2,566	—
Floating rate bonds with warrants in yen due 2004	172,800	172,800	1,440,000
	2,349,537	2,354,459	19,579,475
Less current portion	746,291	749,504	6,219,092
	¥1,603,246	¥1,604,955	\$13,360,383

See Note 10 with respect to information on the warrants issued with the floating rate bonds due 2004.

At March 31, 2003, if all warrants had been exercised at the then current exercise price, 154,100 thousand new shares would have been issuable.

The exercise price of the warrants is subject to adjustment in certain cases which include stock splits. A sufficient number of shares of common stock is reserved for the exercise of all warrants.

The maturities of long-term debt are summarized as follows:

Year ending Mar. 31,	Millions of yen	Thousands of U.S. dollars
2004 .....	¥ 746,291	\$ 6,219,092
2005 .....	589,589	4,913,241
2006 .....	544,802	4,540,017
2007 and thereafter .....	468,855	3,907,125
	<u>¥2,349,537</u>	<u>\$19,579,475</u>

The assets pledged as collateral for short-term borrowings of ¥375,758 million (\$3,131,317 thousand) and long-term debt of ¥1,039,807 million (\$8,665,058 thousand) at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash .....	¥ 38	\$ 317
Receivables .....	1,076,738	8,972,817
Property, plant and equipment, at net book value .....	554,341	4,619,508
	<u>¥1,631,117</u>	<u>\$13,592,642</u>

In addition to the above, at March 31, 2003, investments in consolidated subsidiaries of ¥42,423 million (\$353,525 thousand) were pledged as collateral for long-term debt of affiliates of ¥12,240 million (\$102,000 thousand), which has not been reflected in the accompanying consolidated balance sheet.

## 9. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans (WFPF), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have defined benefit and contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	As of 2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Retirement benefit obligation .....	¥(1,135,273)	¥(1,428,222)	\$(9,460,608)
Plan assets at fair value .....	359,922	674,642	2,999,350
Unfunded retirement benefit obligation .....	(775,351)	(753,580)	(6,461,258)
Unrecognized net retirement benefit obligation at transition .....	179,611	317,098	1,496,758
Unrecognized actuarial gain or loss .....	231,637	132,217	1,930,308
Unrecognized prior service cost .....	(69,134)	(96,056)	(576,116)
Net retirement benefit obligation .....	(433,237)	(400,321)	(3,610,308)
Prepaid pension cost .....	29	21	242
Accrued retirement benefits .....	<u>¥ (433,266)</u>	<u>¥ (400,342)</u>	<u>\$(3,610,550)</u>

The substitutional portion of the benefits under the WPFP has been included in the amounts shown in the above table. During the year ended March 31, 2001, the Company and certain consolidated subsidiaries made amendments to their WPFP with respect to the age of eligibility for annuity payments for the substitutional portion of the benefits in accordance with the amendments to the Welfare Pension Insurance Law of Japan in March 2000, and also made amendments to their lump-sum payment plans and tax-qualified pension plans. In addition, effective April 1, 2001, the Company discontinued providing certain benefits under the WPFP for future services. As a result, prior service cost (a reduction of the liability) was incurred for the years ended March 31, 2002 and 2001.

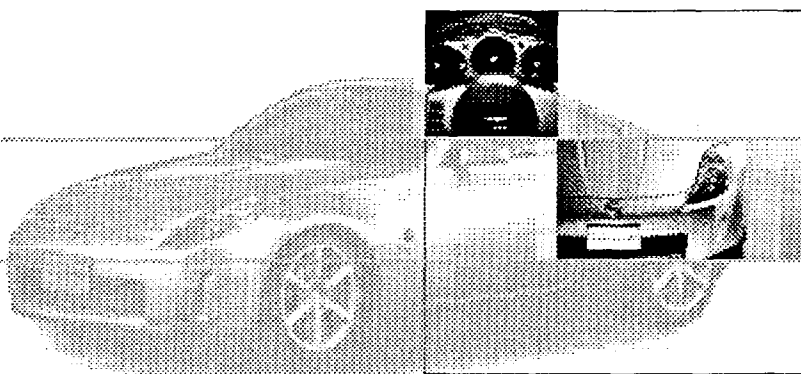
On March 1, 2003, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the obligation for benefits related to future employee services under the substitutional portion of the WPFP. In accordance with the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," the Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its WPFP as of the date of approval of its exemption assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets had been completed as of that date. As a result, the Company recognized a loss of ¥30,945 million (\$257,875 thousand) for the year ended March 31, 2003. The pension assets which are to be transferred were calculated at ¥241,203 million (\$2,010,025 thousand) at March 31, 2003.

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 are outlined as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
For the years ended	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2001	Mar. 31, 2000
Service cost .....	¥ 51,543	¥50,147	¥57,881	\$ 429,525
Interest cost .....	45,269	43,086	45,390	377,242
Expected return on plan assets .....	(26,708)	(27,791)	(31,092)	(222,567)
Amortization of net retirement benefit obligation at transition .....	24,280	24,369	25,232	202,333
Amortization of actuarial gain or loss .....	11,464	13,378	(239)	95,533
Amortization of prior service cost .....	(7,762)	(7,408)	(10,848)	(64,683)
Other .....	5	(190)	480	42
Retirement benefit expenses .....	¥ 98,091	¥95,591	¥86,804	\$ 817,425
Loss on return of the substitution portion of welfare pension fund plans .....	30,945	—	—	257,875
Retirement benefit expenses .....	¥129,036	¥95,591	¥86,804	\$1,075,300

The assumptions used in accounting for the above plans were as follows:

		For the years ended	2002 Mar. 31, 2003	2001 Mar. 31, 2002
Discount rates	Domestic companies .....		2.3% - 2.5%	3.0%
	Foreign companies .....		5.4% - 7.3%	5.5% - 7.5%
Expected return on assets	Domestic companies .....		Mainly 4.0%	Mainly 4.0%
	Foreign companies .....		6.5% - 9.0%	7.0% - 9.0%



## 10. SHAREHOLDERS' EQUITY

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥53,839 million (\$448,658 thousand) as of both March 31, 2003 and 2002.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

On May 28, 1999, the Company issued 1,464,250 thousand new shares of common stock at ¥400 per share to Renault, a French corporation, for a total of ¥585,700 million.

On the same date, the Company issued to Renault floating rate bonds due 2004 with warrants which amounted to ¥215,900 million. The warrants, which may not be transferred to a third party, entitled Renault to subscribe for shares of common stock of the Company at an exercise price of ¥400 per share.

In March 2002, Renault exercised all the warrants and the Company issued 539,750 thousand new shares of common stock to Renault for ¥220,900 million. As a result, Renault's equity interest in the Company increased to 44.37% as of March 31, 2002. In March and May 2002, the Company indirectly acquired shares of common stock of Renault representing a 15.0% interest, in the aggregate, in Renault for ¥247,566 million.

## 11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2003, 2002 and 2001 amounted to ¥300,330 million (\$2,502,750 thousand), ¥262,121 million and ¥231,672 million, respectively.

## 12. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for each of the three years in the period ended March 31, 2003 were as follows:

For the year ended	Millions of yen			Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
Dividend income	¥ 954	¥ 1,587	¥ 3,447	\$ 7,950
Net realized gain on sales of securities	—	—	38,599	—
Unrealized loss on securities	(769)	(6,757)	(14,152)	(6,408)
Gain on sales of property, plant and equipment	58,796	28,229	55,497	489,967
Loss on disposal of property, plant and equipment	(15,587)	(11,285)	(16,730)	(129,892)
Gain (loss) on sales of investment securities	4,324	(26,823)	26,444	36,033
Foreign exchange gain (loss)	18,318	(1,895)	(2,797)	152,650
Amortization of net retirement benefit obligation at transition	(23,923)	(23,925)	(24,729)	(199,358)
Loss on return of the substitution portion of welfare pension fund plans (Note 9)	(30,945)	—	—	(257,875)
Other	(47,675)	(63,034)	(40,885)	(397,292)
	¥(36,507)	¥(103,903)	¥ 24,694	\$ (304,225)

### 13. INCOME TAXES

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 42% for 2002, 2001 and 2000. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2003, 2002 and 2001 differ from the statutory tax rate for the following reasons:

	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001
For the years ended			
Statutory tax rate	41.9%	41.9%	41.9%
Effect of:			
Decrease in valuation allowance	(10.4)	(42.9)	(60.9)
Different tax rates applied to foreign subsidiaries	(3.8)	(4.3)	(2.9)
Adjustments in deferred tax assets and liabilities due to change in tax rate	0.8	—	—
Other	0.1	1.3	0.3
Effective tax rates	28.6%	(4.0)%	(21.6)%

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 41.9% to 40.6% effective for fiscal years beginning after March 31, 2004. The effect of this tax rate change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥5,467 million (\$45,558 thousand) at March 31, 2003 and to increase income taxes – deferred by ¥5,501 million (\$45,842 thousand) for the year ended March 31, 2003.

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Deferred tax assets:			
Net operating loss carryforwards	¥ 86,643	¥ 165,554	\$ 722,025
Accrued retirement benefits	159,828	147,614	1,331,900
Accrued warranty costs	47,359	—	394,658
Accrual for losses on business restructuring	—	26,659	—
Other	316,634	320,260	2,638,617
Gross deferred tax assets	610,464	660,087	5,087,200
Valuation allowance	(66,439)	(169,634)	(553,658)
Total deferred tax assets	544,025	490,453	4,533,542
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law, etc.	(266,326)	(197,806)	(2,219,383)
Difference between cost of investments and their underlying net equity at fair value	(68,517)	(70,553)	(570,975)
Unrealized holding gain on securities	(1,362)	(2,146)	(11,350)
Other	(102,452)	(17,249)	(853,767)
Total deferred tax liabilities	(438,657)	(287,754)	(3,655,475)
Net deferred tax assets	¥105,368	¥ 202,699	\$ 878,067

#### 14. RETAINED EARNINGS

Other changes in retained earnings for each of the three years in the period ended March 31, 2003 were as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
Adjustments for revaluation of the accounts of the consolidated subsidiaries based on general price-level accounting (Note 2(a))	¥14,464	¥ 1,455	¥ 4,346	\$120,533
Loss on disposal of treasury stock	(2,664)	-	-	(22,200)
Adjustments to retained earnings at beginning of the year for inclusion in or exclusion from consolidation or the equity method of accounting for subsidiaries and affiliates, and certain other adjustments	(7,854)	(2,465)	(10,363)	(65,450)
	¥ 3,946	¥ (1,010)	¥ (6,017)	\$ 32,883

#### 15. SUPPLEMENTARY CASH FLOW INFORMATION

##### a) Summary of assets and liabilities of companies excluded from consolidation following the sale of their stock

The following is a summary of the transferred assets and liabilities, the relevant selling prices and the net cash inflows from sales of stock of Rhythm Corporation, and two other companies in the year ended March 31, 2003, from sales of stock of Nissan Altia Co., Ltd., and eight other companies in the year ended March 31, 2002 and from sales of stock of Satio Yamagata Co., Ltd., and thirteen other companies in the year ended March 31, 2001:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
Current assets	¥ 22,561	¥ 46,516	¥ 41,441	\$188,008
Fixed assets	7,493	51,729	40,385	62,442
(Loss) gain on sales of investment securities	(1,765)	2,048	4,254	(14,708)
Current liabilities	(11,991)	(53,027)	(46,563)	(99,925)
Long-term liabilities	(5,366)	(24,526)	(12,596)	(44,717)
Minority interests in consolidated subsidiaries	(1,962)	(6,612)	(3,360)	(16,350)
Proceeds from sales of stock	8,970	16,128	23,561	74,750
Cash and cash equivalents held by subsidiaries	(575)	(2,489)	(13,230)	(4,792)
Net proceeds	¥ 8,395	¥ 13,639	¥ 10,331	\$ 69,958

##### b) Summary of assets and liabilities excluded following the sales of business

Fiscal year 2000 (For the year ended Mar. 31, 2001)	Millions of yen
Current assets	¥26,325
Fixed assets	33,700
Gains on sales of tangible fixed assets	6,856
Current liabilities	(12,346)
Long-term liabilities	(3,625)
Accrual for losses on business restructuring	(10,522)
Proceeds from sales of stock	40,388
Cash and cash equivalents	(9)
Net proceeds	¥40,379

## 16. LEASE TRANSACTIONS

### a) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2003 and 2002, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 89,470	¥35,823	¥ 53,647	\$ 745,583	\$298,525	\$ 447,058
Other	155,704	60,472	95,232	1,297,533	503,933	793,600
Total	¥245,174	¥96,295	¥148,879	\$2,043,116	\$802,458	\$1,240,658

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 64,835	¥ 22,940	¥41,895
Other	132,844	77,903	54,941
Total	¥197,679	¥100,843	¥96,836

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥45,638 million (\$380,317 thousand), ¥47,317 million and ¥52,053 million for the years ended March 31, 2003, 2002 and 2001, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in lease payments amounted to ¥42,444 million (\$353,700 thousand) and ¥3,039 million (\$25,325 thousand), respectively, for the year ended March 31, 2003, ¥44,282 million and ¥3,207 million, respectively, for the year ended March 31, 2002, and ¥49,136 million and ¥3,160 million, respectively, for the year ended March 31, 2001.

Future minimum lease payments subsequent to March 31, 2003 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ending Mar. 31,	Millions of yen		Thousands of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
2004	¥ 53,648	¥ 4,731	\$ 447,067	\$ 39,425
2005 and thereafter	97,532	20,638	812,767	171,983
Total	¥151,180	¥25,369	\$1,259,834	\$211,408

### b) Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2003 and 2002:

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥89,924	¥41,199	¥48,725	\$749,367	\$343,325	\$406,042
Other	7,483	3,768	3,715	62,358	31,400	30,958
Total	¥97,407	¥44,967	¥52,440	\$811,725	\$374,725	\$437,000

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥91,035	¥43,055	¥47,980
Other	5,018	3,163	1,855
Total	¥96,053	¥46,218	¥49,835

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥21,216 million (\$176,800 thousand), ¥21,850 million and ¥37,591 million for the years ended March 31, 2003, 2002, and 2001, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income amounted to ¥18,351 million (\$152,925 thousand) and ¥2,649 million (\$22,075 thousand), respectively, for the year ended March 31, 2003, ¥18,946 million and ¥3,452 million, respectively, for the year ended March 31, 2002, and ¥23,751 million and ¥2,125 million, respectively, for the year ended March 31, 2001.

Future minimum lease income subsequent to March 31, 2003 for noncancelable operating leases and finance leases accounted for as operating leases is summarized as follows:

Year ending Mar. 31,	Millions of yen		Thousands of U. S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
2004.....	¥17,490	¥163,917	\$145,750	\$1,365,975
2005 and thereafter .....	36,666	239,166	305,550	1,993,050
Total .....	¥54,156	¥403,083	\$451,300	\$3,359,025

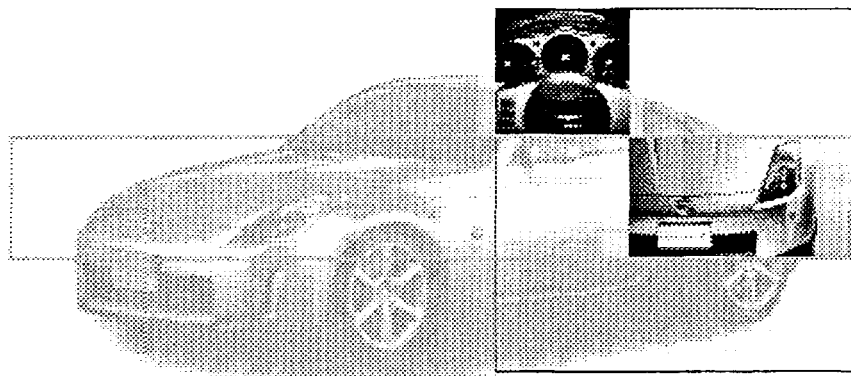
## 17. COMMITMENTS AND CONTINGENCIES

At March 31, 2003, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U. S. dollars
As endorser of notes receivable discounted with banks .....	¥ 816	\$ 6,800
As guarantor of employees' housing loans from banks and others .....	232,680	1,939,000
	¥233,496	\$1,945,800

In addition to the above, at March 31, 2003, the Company was committed to provide guarantees of indebtedness of unconsolidated subsidiaries and affiliates in the aggregate amount of ¥3,296 million (\$27,467 thousand) at the request of the lending banks. In addition, the Company provided letters of awareness to financial institutions regarding the indebtedness of an affiliate which amounted to ¥75 million (\$625 thousand). The Company also provided letters of awareness to financial institutions to whom outstanding trade receivables of ¥121,007 million (\$1,008,392 thousand) had been sold. The outstanding balance of installment receivables sold with recourse amounted to ¥240 million (\$2,000 thousand) at March 31, 2003.

Certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥39,151 million (\$326,258 thousand) with their customers and others. The loans receivable outstanding and the unused balances under these credit facilities as of March 31, 2003 amounted to ¥3,361 million (\$28,008 thousand) and ¥35,790 million (\$298,250 thousand), respectively. Since many of these facilities expire without being utilized and the related borrowings are sometimes subject to a review of the borrowers' credibility, any unused amount will not necessarily be utilized at the full amount.



## 18. AMOUNTS PER SHARE

	Yen			U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2002
For the years ended				
Net income:				
Basic.....	¥117.75	¥92.61	¥83.53	\$0.981
Diluted.....	116.88	92.13	79.45	0.974
Cash dividends applicable to the year.....	14.00	8.00	7.00	0.117

(Cash dividends per share for those issued during the year ended March 31, 2002 are ¥4.00.)

	Yen		U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2002
As of			
Net assets.....	¥434.11	¥358.84	\$3.618

Until the year ended March 31, 2002, basic net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year, and diluted net income per share was computed based on the net income reported and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of warrants. Amounts per share of net assets were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of warrants for the year ended March 31, 2003. Amounts per share of net assets at March 31, 2003 was computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. If the previous method of computation had been followed for the year ended March 31, 2003, basic net income per share, dilutive net income per share and amounts per share of net assets would have been ¥109.93, ¥109.17 and ¥404.89, respectively.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

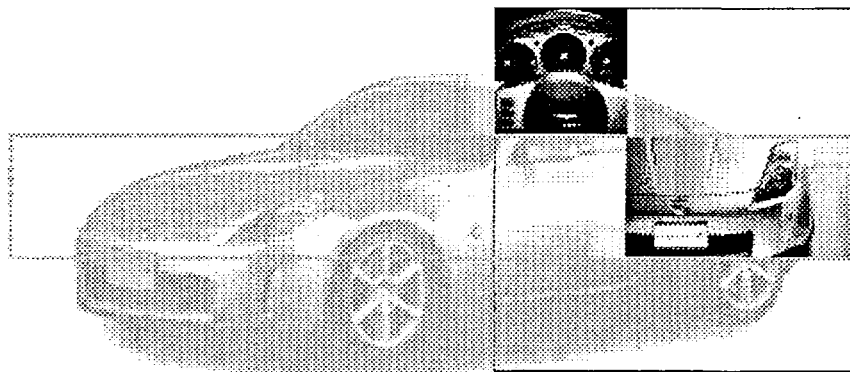
## 19. SECURITIES

a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2003 and 2002 is as follows:

### Marketable held-to-maturity debt securities

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Government bonds .....	¥ 60	¥ 61	¥ 1	\$ 500	\$ 508	\$ 8
Corporate bonds .....	313	336	23	2,608	2,800	192
Subtotal .....	¥ 373	¥ 397	¥ 24	\$ 3,108	\$ 3,308	\$ 200
Securities whose carrying value exceeds their fair value:						
Other bonds .....	¥ 3,068	¥ 3,068	¥ 0	\$ 25,567	\$ 25,567	\$ 0
Subtotal .....	¥ 3,068	¥ 3,068	¥ 0	\$ 25,567	\$ 25,567	\$ 0
Total .....	¥ 3,441	¥ 3,465	¥ 24	\$ 28,675	\$ 28,875	\$ 200

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds .....	¥ 67	¥ 70	¥ 3
Corporate bonds .....	348	363	15
Subtotal .....	¥ 415	¥ 433	¥ 18
Securities whose carrying value exceeds their fair value:			
Corporate bonds .....	¥ 1,400	¥ 1,263	¥ (137)
Subtotal .....	¥ 1,400	¥ 1,263	¥ (137)
Total .....	¥ 1,815	¥ 1,696	¥ (119)



# Marketable other securities

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 1,243	¥ 4,492	¥ 3,249	\$ 10,358	\$ 37,433	\$27,075
Debt securities	19	20	1	158	166	8
Others	8,976	9,779	803	74,800	81,492	6,692
Subtotal	¥10,238	¥14,291	¥ 4,053	\$ 85,316	\$119,091	\$33,775
Securities whose acquisition cost exceeds their carrying value:						
Stock	¥ 3,544	¥ 2,883	¥ (661)	\$ 29,534	\$ 24,025	\$ (5,509)
Debt securities	100	82	(18)	833	684	(149)
Subtotal	¥ 3,644	¥ 2,965	¥ (679)	\$ 30,367	\$ 24,709	\$ (5,658)
Total	¥13,882	¥17,256	¥3,374	\$115,683	\$143,800	\$28,117

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 1,040	¥ 5,886	¥4,846
Debt securities	27	30	3
Subtotal	¥ 1,067	¥ 5,916	¥4,849
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥222,146	¥221,588	¥ (558)
Debt securities	2,000	1,916	(84)
Others	200	200	0
Subtotal	¥224,346	¥223,704	¥ (642)
Total	¥225,413	¥229,620	¥4,207

b) Sales of securities classified as other securities with aggregate gain and loss are summarized as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
Sales proceeds	¥12,770	¥ 72,388	¥145,621	\$106,417
Aggregate gain	3,446	12,818	43,888	28,717
Aggregate loss	(3,167)	(43,720)	—	(26,392)

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2003 is summarized as follows:

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen				Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥ 60	¥ 20	¥0	¥ 0	\$ 500	\$ 167	\$0	\$0
Corporate bonds	5,090	245	0	60	42,417	2,042	0	500
Other debt securities	3,068	0	0	105	25,567	0	0	875
Total	¥8,218	¥265	¥0	¥165	\$68,484	\$2,209	\$0	\$1,375

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## 20. DERIVATIVE TRANSACTIONS

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### Hedging Policies

The Company and its consolidated subsidiaries (collectively, the "Group") utilize derivative transactions for the purpose of hedging their exposure to fluctuation in foreign exchange rates, interest rates and market prices. However, based on an internal management rule on financial market risk (the "Rule") approved by the Company's Board of Directors, they do not enter into transactions involving derivatives for speculative purposes. The Rule prescribes that (i) the Group's financial market risk is to be controlled by the Company in a centralized manner, and that (ii) no individual subsidiary can initiate a hedge position without the prior approval of, and regular reporting back to the Company.

### Risk to be hedged by derivative transactions

#### (1) Market risk

The financial market risk to which the Group is generally exposed in its operations and the relevant derivative transactions primarily used for hedging are summarized as follows:

- Foreign exchange risk associated with assets and liabilities denominated in foreign currencies; forward foreign exchange contracts, foreign currency options, and currency swaps;
- Interest rate risk associated with sourcing funds and investing: interest-rate swaps;
- Risk of fluctuation in stock prices: options on stocks;
- Risk of fluctuation in commodity prices (mainly for precious metals): commodity futures contracts

#### (2) Credit risk

The Group is exposed to the risk that a counterparty to its financial transactions could default and jeopardize future profits. We believe that this risk is insignificant as the Group enters into derivative transactions only with financial institutions which have a sound credit profile. The Group enters into these transactions also with Renault Finance S.A. ("RF"), a specialized financial subsidiary of the Renault Group which, we believe, is not subject to any such material risk. This is because RF enters into derivative transactions to cover such derivative transactions with us only with financial institutions of the highest caliber carefully selected by RF based on its own rating system which takes into account each counterparty's long-term credit rating and shareholders' equity.

#### (3) Legal risk

The Group is exposed to the risk of entering into a financial agreement which may contain inappropriate terms and conditions as well as the risk that an existing contract may be affected by revisions to the relevant laws and regulations. The Company's Legal Department and Finance Department make every effort to minimize legal risk by reviewing any new agreements of significance and by reviewing the related documents in a centralized way.

### Risk Management

All strategies to manage financial market risk and risk hedge operations of the Group are carried out pursuant to the Rule which stipulates the Group's basic policies for derivative transactions, management policies, management items, procedures, criteria for the selection of counterparties, and the reporting system, and so forth. The Rule prescribes that (i) the Group's financial market risk is to be controlled by the Company in a centralized manner, and that (ii) no individual subsidiary is permitted to initiate a hedging operation without the prior approval of, and regular reporting back to the Company.

The basic hedge policy is subject to the approval of the Monthly Hedge Policy Meeting attended by Chief Financial Officer ("CFO"). Execution and management of all deals are to be conducted pursuant to the Rule. Derivative transactions are conducted by a special section of the Finance Department and monitoring of contracts for such transactions and confirming the balance of all open positions are the responsibility of back office and risk management section. Commodity futures contracts are to be handled also by Finance Department under guidelines which are to be drawn up by the MPMC (Materials Risk Management Committee). The MPMC is chaired by the corporate officer in charge of the Purchasing Department and the CFO and it will meet approximately once every six months.

The status of derivative transactions is reported on a daily basis to the corporate officer in charge of Finance Department and on an annual basis to the Board of Directors. Credit risk is monitored quantitatively with reference to Renault's rating system based principally on the counterparties' long-term credit ratings and on their shareholders' equity. The Finance Department sets a maximum upper limit on positions with each of the counterparties for the Group and monitors the balances of open positions every day.

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2003 and 2002:

1) Currency-related transactions

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
<b>Forward foreign exchange contracts:</b>						
Sell:						
US\$.....	¥103,749	¥102,000	¥1,749	\$864,575	\$850,000	\$14,575
AU\$.....	-	-	-	-	-	-
Others.....	1	1	0	8	8	0
Buy:						
CAN\$.....	10,542	10,663	121	87,850	88,858	1,008
£ Stg.....	2,391	2,365	(26)	19,925	19,708	(217)
US\$.....	-	-	-	-	-	-
Euro.....	-	-	-	-	-	-
Others.....	691	600	(91)	5,758	5,000	(758)
<b>Currency swaps:</b>						
US\$.....	¥ 8,645	¥ (320)	¥ (320)	\$ 72,042	\$ (2,667)	\$ (2,667)
£ Stg.....	34,186	339	339	284,883	2,825	2,825
CAN\$.....	2,242	(59)	(59)	18,683	(491)	(491)
Euro.....	34,840	(1,032)	(1,032)	290,333	(8,600)	(8,600)
<b>Total.....</b>	<b>-</b>	<b>-</b>	<b>¥ 681</b>	<b>-</b>	<b>-</b>	<b>\$ 5,675</b>

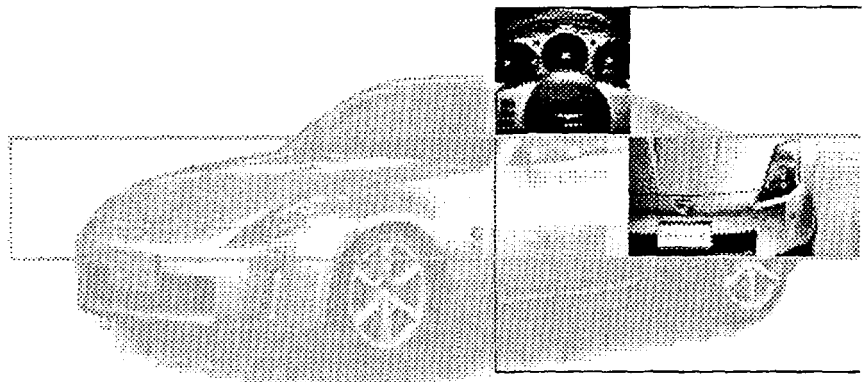
Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
<b>Forward foreign exchange contracts:</b>			
Sell:			
US\$.....	¥ 1,919	¥ 1,904	¥ 15
AU\$.....	705	706	(1)
Others.....	438	520	(82)
Buy:			
£ Stg.....	15,064	14,786	(278)
US\$.....	22,744	22,525	(219)
Euro.....	33,280	33,691	411
Others.....	1,301	1,223	(78)
<b>Currency swaps:</b>			
US\$.....	¥ 4,927	¥ (45)	¥ (45)
£ Stg.....	4,755	677	677
CAN\$.....	2,284	(114)	(114)
Euro.....	912	148	148
<b>Total.....</b>	<b>-</b>	<b>-</b>	<b>¥ 434</b>

Note: The notional amounts of the forward foreign exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

2) Interest-related transactions

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Receive/floating and pay/fixed .....	¥187,187	¥(2,095)	¥(2,095)	\$1,559,892	\$(17,458)	\$(17,458)
Receive/fixed and pay/floating .....	262,154	7,247	7,247	2,184,617	60,392	60,392
Receive/floating and pay/floating .....	2,500	(30)	(30)	20,833	(250)	(250)
Options:						
Caps sold .....	¥461,860			\$3,848,833		
(Premium) .....	(-)	(4,605)	(4,605)	(-)	(38,375)	(38,375)
Caps purchased .....	¥461,860			\$3,848,833		
(Premium) .....	(-)	4,605	4,605	(-)	38,375	38,375
Total .....	-	-	¥ 5,122	-	-	\$ 42,684

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive/floating and pay/fixed .....	¥260,996	¥(5,327)	¥(5,327)
Receive/fixed and pay/floating .....	244,650	8,347	8,347
Receive/floating and pay/floating .....	2,500	(48)	(48)
Options:			
Caps sold .....	¥448,872		
(Premium) .....	-	(5,092)	(5,092)
Caps purchased .....	¥448,872		
(Premium) .....	-	5,092	5,092
Total .....	-	-	¥ 2,972



## 21. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the automobile segment and in providing various financial services to users of the Company's products in the sales financing segment. These products, which are sold in Japan and overseas, principally in North America and Europe, include passenger cars, buses and trucks as well as the related components. Financial services include primarily leases and credits in Japan and North America. As net sales, operating income and total assets of the automobile segment constituted more than 90% of the consolidated totals for the years ended March 31, 2001, the disclosure of business segment information has been omitted.

### Business segments

The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 is as follows:

Fiscal year 2002 (For the year ended Mar. 31, 2003)					
	Automobile	Sales Financing	Total	Eliminations	Consolidated
Millions of yen					
I. Sales and operating income					
Sales to third parties	¥6,444,460	¥ 384,128	¥6,828,588	¥ -	¥6,828,588
Inter-area sales and transfers	42,775	11,740	54,515	(54,515)	-
Total sales	6,487,235	395,868	6,883,103	(54,515)	6,828,588
Operating expenses	5,818,023	335,986	6,154,009	(62,651)	6,091,358
Operating income	¥ 669,212	¥ 59,882	¥ 729,094	¥ 8,136	¥ 737,230
II. Assets, depreciation and capital expenditures					
Total assets	¥5,607,323	¥3,103,889	¥8,711,212	¥(1,362,029)	¥7,349,183
Depreciation	¥ 213,569	¥ 157,556	¥ 371,125	¥ -	¥ 371,125
Capital Expenditures	¥ 410,003	¥ 451,630	¥ 861,633	¥ -	¥ 861,633

Fiscal year 2002 (For the year ended Mar. 31, 2003)					
	Automobile	Sales Financing	Total	Eliminations	Consolidated
Thousands of U.S. dollars					
I. Sales and operating income					
Sales to third parties	\$53,703,833	\$ 3,201,067	\$56,904,900	\$ -	\$56,904,900
Inter-area sales and transfers	356,458	97,833	454,291	(454,291)	-
Total sales	54,060,291	3,298,900	57,359,191	(454,291)	56,904,900
Operating expenses	48,483,525	2,799,883	51,283,408	(522,091)	50,761,317
Operating income	\$ 5,576,766	\$ 499,017	\$ 6,075,783	\$ 67,800	\$ 6,143,583
II. Assets, depreciation and capital expenditures					
Total assets	\$46,727,692	\$25,865,742	\$72,593,434	\$ (11,350,242)	\$61,243,192
Depreciation	\$ 1,779,742	\$ 1,312,966	\$ 3,092,708	\$ -	\$ 3,092,708
Capital Expenditures	\$ 3,416,692	\$ 3,763,583	\$ 7,180,275	\$ -	\$ 7,180,275

Fiscal year 2001 (For the year ended Mar. 31, 2002)					
	Automobile	Sales Financing	Total	Eliminations	Consolidated
Millions of yen					
I. Sales and operating income					
Sales to third parties	¥5,842,648	¥ 353,593	¥6,196,241	¥ -	¥6,196,241
Inter-area sales and transfers	49,755	13,059	62,814	(62,814)	-
Total sales	5,892,403	366,652	6,259,055	(62,814)	6,196,241
Operating expenses	5,435,656	328,536	5,764,192	(57,166)	5,707,026
Operating income	¥ 456,747	¥ 38,116	¥ 494,863	¥ (5,648)	¥ 489,215
II. Assets, depreciation and capital expenditures					
Total assets	¥5,418,619	¥2,862,560	¥8,281,179	¥(1,066,174)	¥7,215,005
Depreciation	¥ 209,174	¥ 165,653	¥ 374,827	¥ -	¥ 374,827
Capital Expenditures	¥ 346,994	¥ 343,019	¥ 690,013	¥ -	¥ 690,013

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales and operating expenses in the automobile segment for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year.

The following tables set forth the summarized financial statements by business segment for the years ended March 31, 2003 and 2002. Amounts for the sales financing segment represent the aggregate of the figures for the sales financing subsidiaries in Japan and North America. Amounts for the automobile segment represent the differences between the consolidated totals and those for the sales financing segment.

1) Summarized consolidated balance sheets by business segment

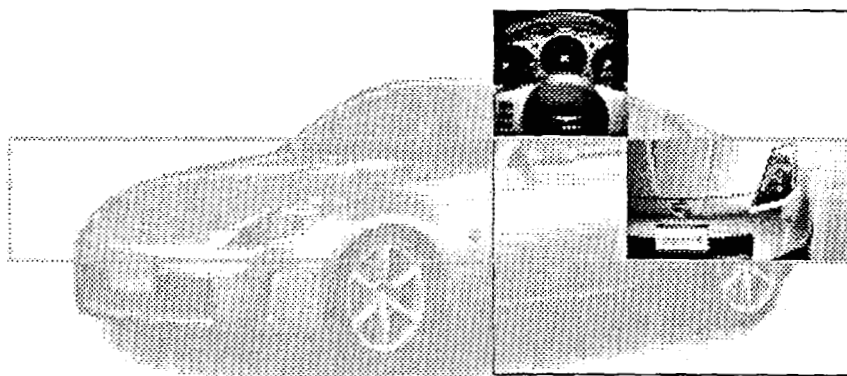
Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Cash and cash equivalents .....	¥ 263,146	¥ 6,671	¥ 269,817	\$ 2,192,883	\$ 55,592	\$ 2,248,475
Short-term investments .....	21	15	36	175	125	300
Receivables, less allowance for doubtful receivables .....	267,704	2,060,679	2,328,383	2,230,866	17,172,325	19,403,191
Inventories .....	526,062	17,546	543,608	4,383,850	146,217	4,530,067
Other current assets .....	397,157	161,056	558,213	3,309,642	1,342,133	4,651,775
Total current assets .....	1,454,090	2,245,967	3,700,057	12,117,416	18,716,392	30,833,808
Property, plant and equipment, net .....	2,223,124	766,210	2,989,334	18,526,034	6,385,083	24,911,117
Investment securities .....	256,515	10,531	267,046	2,137,625	87,758	2,225,383
Other assets .....	311,542	81,204	392,746	2,596,184	676,700	3,272,884
Total assets .....	¥4,245,271	¥3,103,912	¥7,349,183	\$35,377,259	\$25,865,933	\$61,243,192
Short-term borrowings and current portion of long-term debt .....	¥ (653,588)	¥1,968,810	¥1,315,222	\$ (5,446,566)	\$16,406,750	\$10,960,184
Notes and accounts payable .....	1,015,967	31,397	1,047,364	8,466,391	261,642	8,728,033
Accrued income taxes .....	36,907	-	36,907	307,558	-	307,558
Other current liabilities .....	432,629	89,696	522,325	3,605,242	747,466	4,352,708
Total current liabilities .....	831,915	2,089,903	2,921,818	6,932,625	17,415,858	24,348,483
Long-term debt .....	1,024,686	578,560	1,603,246	8,539,050	4,821,333	13,360,383
Other long-term liabilities .....	772,081	155,283	927,364	6,434,009	1,294,025	7,728,034
Total long-term liabilities .....	1,796,767	733,843	2,530,610	14,973,059	6,115,358	21,088,417
Total liabilities .....	2,628,682	2,823,746	5,452,428	21,905,684	23,531,216	45,436,900
Minority interests .....	88,451	-	88,451	737,092	-	737,092
Common stock .....	523,707	82,107	605,814	4,364,225	684,225	5,048,450
Capital surplus .....	774,403	30,067	804,470	6,453,358	250,558	6,703,916
Retained earnings .....	730,373	148,282	878,655	6,086,442	1,235,683	7,322,125
Unrealized holding gain on securities .....	1,934	(103)	1,831	16,116	(858)	15,258
Translation adjustments .....	(340,089)	19,813	(320,276)	(2,834,075)	165,109	(2,668,966)
Treasury stock .....	(162,190)	-	(162,190)	(1,351,583)	-	(1,351,583)
Total Shareholders' equity .....	1,528,138	280,166	1,808,304	12,734,483	2,334,717	15,069,200
Total liabilities and shareholders' equity .....	¥4,245,271	¥3,103,912	¥7,349,183	\$35,377,259	\$25,865,933	\$61,243,192

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Automobile	Sales Financing	Consolidated total
Cash and cash equivalents .....	¥ 272,742	¥ 6,911	¥ 279,653
Short-term investments .....	651	15	666
Receivables, less allowance for doubtful receivables .....	363,953	1,815,901	2,179,854
Inventories .....	521,577	12,474	534,051
Other current assets .....	364,171	158,860	523,031
Total current assets .....	1,523,094	1,994,161	3,517,255
Property, plant and equipment, net .....	2,103,261	775,897	2,879,158
Investment securities .....	373,379	25,734	399,113
Other assets .....	352,711	66,768	419,479
Total assets .....	¥4,352,445	¥2,862,560	¥7,215,005
Short-term borrowings and current portion of long-term debt .....	¥ (317,818)	¥1,742,622	¥1,424,804
Notes and accounts payable .....	957,597	32,676	990,273
Accrued income taxes .....	46,706	-	46,706
Other current liabilities .....	417,494	128,738	546,232
Total current liabilities .....	1,103,979	1,904,036	3,008,015
Long-term debt .....	1,022,274	582,681	1,604,955
Other long-term liabilities .....	769,883	134,041	903,924
Total long-term liabilities .....	1,792,157	716,722	2,508,879
Total liabilities .....	2,896,136	2,620,758	5,516,894
Minority interests .....	77,289	-	77,289
Common stock .....	534,949	69,607	604,556
Capital surplus .....	785,645	17,567	803,212
Retained earnings .....	319,023	111,728	430,751
Unrealized holding gain on securities .....	3,728	678	4,406
Translation adjustments .....	(264,195)	42,222	(221,973)
Treasury stock .....	(130)	-	(130)
Total Shareholders' equity .....	1,379,020	241,802	1,620,822
Total liabilities and shareholders' equity .....	¥4,352,445	¥2,862,560	¥7,215,005

(Interest bearing debt)

Fiscal year 2002 (As of Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Short-term borrowings from third parties .....	¥ 420,041	¥ 895,181	¥1,315,222	\$ 3,500,342	\$ 7,459,842	\$10,960,184
Internal loans to sales financing companies .....	(1,073,629)	1,073,629	-	(8,946,908)	8,946,908	-
Short-term borrowings per the balance sheet ...	(653,588)	1,968,810	1,315,222	(5,446,566)	16,406,750	10,960,184
Bonds and debentures .....	772,220	5,940	778,160	6,435,167	49,500	6,484,667
Long-term borrowings from third parties .....	252,772	572,314	825,086	2,106,433	4,769,283	6,875,716
Internal loans to sales financing companies .....	(306)	306	-	(2,550)	2,550	-
Long-term borrowings per the balance sheet ...	252,466	572,620	825,086	2,103,883	4,771,833	6,875,716
Total interest bearing debt .....	371,098	2,547,370	2,918,468	3,092,464	21,228,083	24,320,567
Cash and cash equivalents .....	263,146	6,671	269,817	2,192,883	55,592	2,248,475
Net interest bearing debt .....	107,952	2,540,699	2,648,651	899,601	21,172,491	22,072,092
Debt for Canton Plant included in the above .....	116,554	-	116,554	971,283	-	971,283
Net interest bearing debt (excluding that related to Canton Plant) .....	¥ (8,602)	¥2,540,699	¥2,532,097	\$ (71,682)	\$21,172,491	\$21,100,809

Fiscal year 2001 (As of Mar. 31, 2002)	Millions of yen		
	Automobile	Sales Financing	Consolidated total
Short-term borrowings from third parties .....	¥ 444,998	¥ 979,806	¥1,424,804
Internal loans to sales financing companies .....	(762,816)	762,816	-
Short-term borrowings per the balance sheet ...	(317,818)	1,742,622	1,424,804
Bonds and debentures .....	786,258	9,900	796,158
Long-term borrowings from third parties .....	249,263	559,534	808,797
Internal loans to sales financing companies .....	(13,247)	13,247	-
Long-term borrowings per the balance sheet ...	236,016	572,781	808,797
Total interest bearing debt .....	704,456	2,325,303	3,029,759
Cash and cash equivalents .....	272,742	6,911	279,653
Net interest bearing debt .....	431,714	2,318,392	2,750,106
Debt for Canton Plant included in the above .....	-	-	-
Net interest bearing debt (excluding that related to Canton Plant) .....	¥ 431,714	¥2,318,392	¥2,750,106



2) Summarized consolidated statements of income by business segment

Fiscal year 2002 (For the year ended Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Net sales	¥6,432,720	¥395,868	¥6,828,588	\$53,606,000	\$3,298,900	\$56,904,900
Cost of sales	4,617,368	254,956	4,872,324	38,478,067	2,124,633	40,602,700
Gross profit	1,815,352	140,912	1,956,264	15,127,933	1,174,267	16,302,200
Operating income	677,348	59,882	737,230	5,644,566	499,017	6,143,583
Operating income as a percentage of net sales	10.5%	15.1%	10.8%	10.5%	15.1%	10.8%
Net financial cost	(16,543)	3	(16,540)	(137,858)	25	(137,833)
Income before income taxes and minority interests	634,818	59,806	694,624	5,290,150	498,383	5,788,533
Net income	¥ 458,611	¥ 36,554	¥ 495,165	\$ 3,821,758	\$ 304,617	\$ 4,126,375

(Detail of net financial cost)

Fiscal year 2002 (For the year ended Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Total net financial cost	¥(16,543)	¥3	¥(16,540)	\$(137,858)	\$25	\$(137,833)
Intersegment elimination	(5,677)	—	(5,677)	(47,308)	—	(47,308)
Net financial cost for segment	(10,866)	3	(10,863)	(90,550)	25	(90,525)

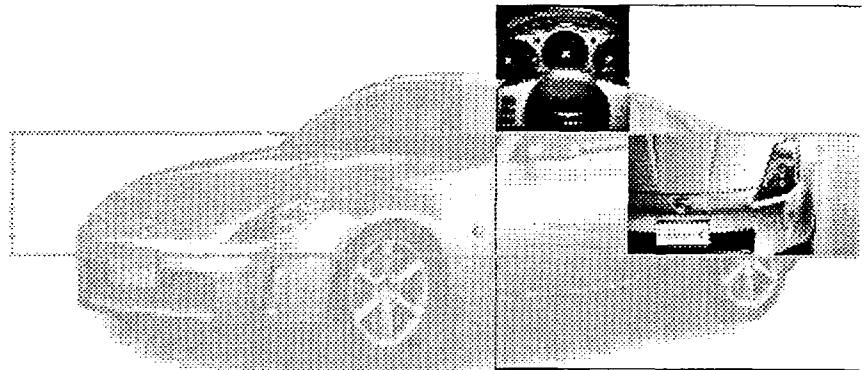
Fiscal year 2001 (For the year ended Mar. 31, 2002)	Millions of yen		
	Automobile	Sales Financing	Consolidated total
Net sales	¥5,829,589	¥366,652	¥6,196,241
Cost of sales	4,294,565	251,961	4,546,526
Gross profit	1,535,024	114,691	1,649,715
Operating income	451,099	38,116	489,215
Operating income as a percentage of net sales	7.7%	10.4%	7.9%
Net financial cost	(20,428)	(2)	(20,430)
Income before income taxes and minority interests	327,197	37,019	364,216
Net income	¥ 349,890	¥ 22,372	¥ 372,262

(Detail of net financial cost)

Fiscal year 2001 (For the year ended Mar. 31, 2002)	Millions of yen		
	Automobile	Sales Financing	Consolidated total
Total net financial cost	¥(20,428)	¥(2)	¥(20,430)
Intersegment elimination	(5,469)	—	(5,469)
Net financial cost for segment	(14,959)	(2)	(14,961)

## 3) Summarized consolidated statements of cash flows by business segment

Fiscal year 2002 (For the year ended Mar. 31, 2003)	Millions of yen			Thousands of U.S. dollars		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
<b>Operating activities</b>						
Income before income taxes and minority interests .....	¥ 634,818	¥ 59,806	¥ 694,624	\$5,290,150	\$ 498,383	\$ 5,788,533
Depreciation and amortization .....	213,569	157,556	371,125	1,779,742	1,312,967	3,092,709
Decrease (increase) in finance receivables ..	64,057	(391,414)	(327,357)	533,808	(3,261,783)	(2,727,975)
Others .....	(115,097)	(47,917)	(163,014)	(959,142)	(399,308)	(1,358,450)
Net cash provided by (used in) operating activities .....	797,347	(221,969)	575,378	6,644,558	(1,849,741)	4,794,817
<b>Investing activities</b>						
Proceeds from sales of investment securities including shares of subsidiaries .....	39,816	13,842	53,658	331,800	115,350	447,150
Proceeds from sales of property, plant and equipment .....	94,828	3,871	98,699	790,233	32,259	822,492
Purchases of fixed assets .....	(376,429)	(1,500)	(377,929)	(3,136,908)	(12,500)	(3,149,408)
Purchases of leased vehicles .....	(33,522)	(450,182)	(483,704)	(279,350)	(3,751,517)	(4,030,867)
Proceeds from sales of leases vehicles .....	15,644	243,431	259,075	130,367	2,028,591	2,158,958
Others .....	(46,720)	(18,453)	(65,173)	(389,333)	(153,775)	(543,108)
Net cash used in investing activities .....	(306,383)	(208,991)	(515,374)	(2,553,191)	(1,741,592)	(4,294,783)
<b>Financing activities</b>						
(Decrease) increase in short-term borrowings...	(369,506)	315,196	(54,310)	(3,079,217)	2,626,633	(452,584)
(Decrease) increase in long-term borrowings ..	(81,106)	91,044	9,938	(675,883)	758,700	82,817
Increase in bonds and debentures .....	85,000	—	85,000	708,333	—	708,333
Proceeds from sales of treasury stock .....	5,670	—	5,670	47,250	—	47,250
Others .....	(144,062)	25,000	(119,062)	(1,200,517)	208,334	(992,183)
Net cash (used in) provided by financing activities ..	(504,004)	431,240	(72,764)	(4,200,034)	3,593,667	(606,367)
Effect of exchange rate changes on cash and cash equivalents .....	1,174	(520)	654	9,783	(4,333)	5,450
(Decrease) increase in cash and cash equivalents ...	(11,866)	(240)	(12,106)	(98,884)	(1,999)	(100,883)
Cash and cash equivalents at beginning of the year..	272,742	6,911	279,653	2,272,850	57,591	2,330,441
Increase due to inclusion in consolidation .....	2,297	—	2,297	19,142	—	19,142
Decrease due to exclusion from consolidation ..	(27)	—	(27)	(225)	—	(225)
Cash and cash equivalents at end of the year ...	¥263,146	¥ 6,671	¥269,817	\$2,192,883	\$ 55,592	\$2,248,475



Fiscal year 2001 (For the year ended Mar. 31, 2002)	Millions of yen		
	Automobile	Sales Financing	Consolidated total
Operating activities			
Income before income taxes and minority interests .....	¥ 327,197	¥ 37,019	¥ 364,216
Depreciation and amortization .....	209,174	165,653	374,827
Decrease (increase) in finance receivables .....	135,274	(569,939)	(434,665)
Others .....	(42,492)	(39,672)	(82,164)
Net cash provided by (used in) operating activities .....	629,153	(406,939)	222,214
Investing activities			
Proceeds from sales of investment securities including shares of subsidiaries .....	106,292	7,013	113,305
Proceeds from sales of property, plant and equipment .....	108,874	61	108,935
Purchases of fixed assets .....	(293,100)	(700)	(293,800)
Purchases of leased vehicles .....	(53,868)	(342,345)	(396,213)
Proceeds from sales of leased vehicles .....	38,213	146,939	185,152
Others .....	(233,522)	(8,246)	(241,768)
Net cash used in investing activities .....	(327,111)	(197,278)	(524,389)
Financing activities			
(Decrease) increase in short-term borrowings .....	(331,786)	640,655	308,869
(Decrease) increase in long-term borrowings .....	(415,935)	(44,680)	(460,615)
Increase in bonds and debentures .....	236,922	9,900	246,822
Proceeds from sales of treasury stock .....	2,324	-	2,324
Others .....	183,515	-	183,515
Net cash (used in) provided by financing activities .....	(324,960)	605,875	280,915
Effect of exchange rate changes on cash and cash equivalents .....	9,937	434	10,371
(Decrease) increase in cash and cash equivalents .....	(12,981)	2,092	(10,889)
Cash and cash equivalents at beginning of the year .....	283,717	4,819	288,536
Increase due to inclusion in consolidation .....	2,006	-	2,006
Cash and cash equivalents at end of the year .....	¥ 272,742	¥ 6,911	¥ 279,653

## Geographical areas

The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003, 2002 and 2001 is as follows:

	Fiscal year 2002 (For the year ended Mar. 31, 2003)						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	Millions of yen						
Sales to third parties.....	¥2,554,374	¥ 2,879,500	¥963,440	¥431,274	¥6,828,588	¥ -	¥6,828,588
Inter-area sales and transfers ..	1,766,102	32,763	26,765	4,174	1,829,804	(1,829,804)	-
Total sales.....	4,320,476	2,912,263	990,205	435,448	8,658,392	(1,829,804)	6,828,588
Operating expenses.....	3,929,920	2,607,699	968,253	418,682	7,924,554	(1,833,196)	6,091,358
Operating income.....	¥ 390,556	¥ 304,564	¥ 21,952	¥ 16,766	¥ 733,838	¥ 3,392	¥ 737,230
Total assets.....	¥4,881,842	¥3,463,261	¥502,028	¥140,849	¥8,987,980	¥(1,638,797)	¥7,349,183

Thousands of U.S. dollars							
Sales to third parties .....	\$21,286,450	\$23,995,833	\$8,028,667	\$3,593,950	\$56,904,900	\$ -	\$56,904,900
Inter-area sales and transfers ..	14,717,517	273,025	223,042	34,783	15,248,367	(15,248,367)	-
Total sales.....	36,003,967	24,268,858	8,251,709	3,628,733	72,153,267	(15,248,367)	56,904,900
Operating expenses .....	32,749,333	21,730,825	8,068,775	3,489,017	66,037,950	(15,276,633)	50,761,317
Operating income.....	\$ 3,254,634	\$ 2,538,033	\$ 182,934	\$ 139,716	\$ 6,115,317	\$ 28,266	\$ 6,143,583
Total assets .....	\$40,682,017	\$28,860,508	\$4,183,567	\$1,173,742	\$74,899,834	\$(13,656,642)	\$61,243,192

	Fiscal year 2001 (For the year ended Mar. 31, 2002)						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	Millions of yen						
Sales to third parties.....	¥2,370,162	¥2,649,212	¥818,555	¥358,312	¥6,196,241	¥ -	¥6,196,241
Inter-area sales and transfers ..	1,458,965	15,475	32,912	4,709	1,512,061	(1,512,061)	-
Total sales.....	3,829,127	2,664,687	851,467	363,021	7,708,302	(1,512,061)	6,196,241
Operating expenses.....	3,539,431	2,455,062	848,239	356,794	7,199,526	(1,492,500)	5,707,026
Operating income.....	¥ 289,696	¥ 209,625	¥ 3,228	¥ 6,227	¥ 508,776	¥ (19,561)	¥ 489,215
Total assets.....	¥4,988,676	¥3,506,180	¥471,008	¥114,081	¥9,079,945	¥(1,864,940)	¥7,215,005

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales and operating expenses for "North America" for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year.

	Fiscal year 2000 (For the year ended Mar. 31, 2001)						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	Millions of yen						
Sales to third parties.....	¥2,536,750	¥2,469,918	¥822,756	¥260,196	¥6,089,620	¥ -	¥6,089,620
Inter-area sales and transfers ..	1,381,037	12,134	17,606	2,410	1,413,187	(1,413,187)	-
Total sales.....	3,917,787	2,482,052	840,362	262,606	7,502,807	(1,413,187)	6,089,620
Operating expenses .....	3,743,458	2,331,590	867,648	258,617	7,201,313	(1,402,007)	5,799,306
Operating income (loss).....	¥ 174,329	¥ 150,462	¥ (27,286)	¥ 3,989	¥ 301,494	¥ (11,180)	¥ 290,314
Total assets .....	¥4,984,516	¥2,416,774	¥425,172	¥ 76,373	¥7,902,835	¥(1,451,592)	¥6,451,243

#### Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2003, 2002 and 2001 are summarized as follows:

	Fiscal year 2002 (For the year ended Mar. 31, 2003)			
	North America	Europe	Other foreign countries	Total
	Millions of yen			
Overseas sales	¥2,785,334	¥974,872	¥763,368	¥4,523,574
Consolidated net sales				6,828,588

	Thousands of U.S. dollars			
Overseas sales	\$23,211,117	\$8,123,933	\$6,361,400	\$37,696,450
Consolidated net sales				56,904,900
Overseas sales as a percentage of consolidated net sales	40.8%	14.3%	11.1%	66.2%

	Fiscal year 2001 (For the year ended Mar. 31, 2002)			
	North America	Europe	Other foreign countries	Total
	Millions of yen			
Overseas sales	¥2,588,300	¥825,696	¥670,556	¥4,084,552
Consolidated net sales				6,196,241
Overseas sales as a percentage of consolidated net sales	41.8%	13.3%	10.8%	65.9%

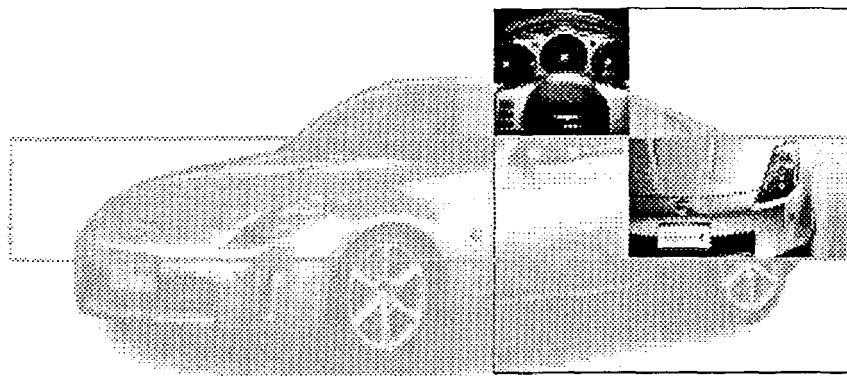
In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales for "North America" for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year.

	Fiscal year 2000 (For the year ended Mar. 31, 2001)			
	North America	Europe	Other foreign countries	Total
	Millions of yen			
Overseas sales	¥2,429,722	¥794,251	¥554,221	¥3,778,194
Consolidated net sales				6,089,620
Overseas sales as a percentage of consolidated net sales	39.9%	13.0%	9.1%	62.0%

## 22. SUBSEQUENT EVENTS

- a) In accordance with Articles 280-20 and 280-21 of the Commercial Code of Japan and a resolution approved at the annual general meeting of the shareholders held on June 20, 2002, the Board of Directors of the Company resolved on April 23, 2003 to grant stock subscription rights free of charge to certain employees of the Company and certain directors and employees of the Company's subsidiaries effective May 7, 2003. The holders of these rights are entitled to subscribe for shares of common stock of the Company at a fixed price of ¥932 per share. The aggregate number of units and shares granted for subscription are 124,300 units and 12,430,000 shares, respectively.
- b) The Company and Dongfeng Automotive Industry Investment Co., Ltd. ("DAI"), a Chinese corporation, jointly will establish Dongfeng Motor Co., Ltd. ("DMC") in accordance with a comprehensive and strategic agreement between the two parties. A business license from the relevant Chinese authorities was obtained on May 20, 2003 and DMC will commence operations effective July 1, 2003 with approximately 74,000 employees including those at its subsidiaries. DMC is primarily engaged in the manufacture and sales of passenger vehicles, commercial vehicles, buses and trucks. Its registered capital is RMB16,700 million or approximately ¥240 billion (\$2,000,000 thousand). This registered capital is to be contributed equally by the Company in the form of cash and by DAI in the form of operating assets.
- c) The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 19, 2003:

	Millions of yen	Thousands of U. S. dollars
Year-end cash dividends (¥10.00 = U.S.\$0.083 per share)	¥44,662	\$372,183
Bonuses to directors	390	3,250



## Report of Independent Auditors

**SHIN NIHON & CO.**  
ERNST & YOUNG INTERNATIONAL

■ Certified Public Accountants  
Tokyo & Kanagawa Branch  
1-2-1, Tokorozawa-shi  
(Tokorozawa, Tokyo) 358-8641  
Phone: 04-2981-1100  
Fax: 04-2981-1107

The Board of Directors  
Nissan Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Motor Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2003, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Motor Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003 in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

*Shin Nihon & Co.*

June 19, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Nissan Motor Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

## Non-consolidated Five-Year Summary

Nissan Motor Co., Ltd.

Fiscal years 2002, 2001, 2000, 1999 and 1998

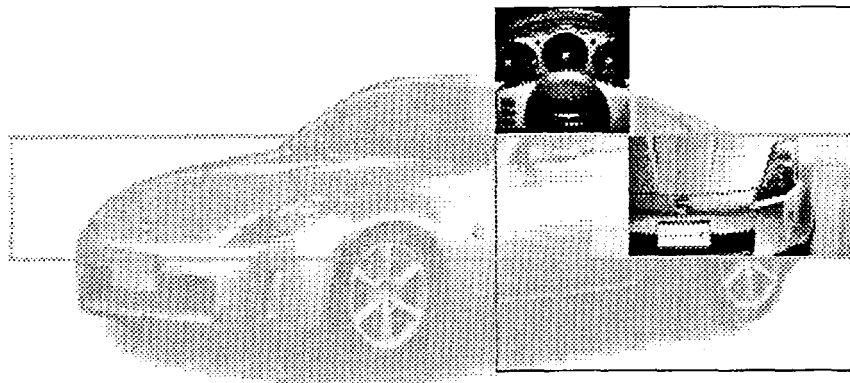
For the years ended	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars <sup>(Note 1)</sup> (except per share amounts)
	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	1999 Mar. 31, 2000	1998 Mar. 31, 1999	2002 Mar. 31, 2003
Net sales	¥3,419,068	¥3,019,860	¥2,980,130	¥2,997,020	¥3,319,659	\$28,492
Operating income	316,059	242,279	127,762	(15,674)	15,165	2,634
Net income (loss)	72,869	183,449	187,485	(790,694)	(34,809)	607
Net income (loss) per share <sup>(Note 2)</sup>	16.09	45.61	47.14	(204.93)	(13.85)	0.13
Cash dividends paid <sup>(Note 3-4)</sup>	14.00	8.00	7.00	0.00	0.00	0.12
Shareholders' equity	¥1,798,716	¥1,829,052	¥1,450,159	¥1,263,075	¥1,477,498	\$14,989
Total assets	3,933,993	3,915,031	3,576,466	3,563,853	3,595,272	32,783
Long-term debt	902,118	942,518	798,009	909,178	750,028	7,518
Depreciation and amortization	56,760	56,265	49,074	89,858	105,229	473
Number of employees	31,128	30,365	30,747	32,707	39,467	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120=\$1, the approximate exchange rate on March 31, 2003.

2. Net income (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income (loss) per share are in exact yen and U.S. dollars.  
Number of shares outstanding as of March 31, 2003: 4,520,715,112.

3. Cash dividends paid represent the amounts proposed by the Board of Directors as applicable to the respective years, together with the interim cash dividends paid.

4. Cash dividends applicable to FY2002 is ¥14.00 per share.



## Subsidiaries and Affiliates

### Consolidated Subsidiaries

as of Mar. 31, 2003

Company	Location	Principal Business	Capital (millions)	Nissan share (%)
<b>Japan</b>				
Nissan Shatai Co., Ltd.	Hiratsuka, Kanagawa	Manufacture and sales of automobiles and parts	¥7,904	42.59
Aichi Machine Industry Co., Ltd.	Nagoya, Aichi	Manufacture and sales of automotive parts	¥8,518	41.51
JATCO Ltd.	Fuji, Shizuoka	Manufacture and sales of automotive parts	¥29,935	81.76
Nissan Kohki Co., Ltd.	Samukawa, Kanagawa	Manufacture and sales of automotive parts	¥2,020	91.82
Nissan Motor Car Carrier Co., Ltd.	Tokyo	International automobile transport	¥640	60.00
Nissan Trading Co., Ltd.	Yokohama, Kanagawa	Import and export of automobiles, parts, etc.	¥320	100.00
Nissan Financial Services Co., Ltd.	Chiba, Chiba	Automobile financing and leasing	¥16,387	100.00
Autech Japan, Inc.	Chigasaki, Kanagawa	Development, manufacture and sales of limited-edition automobiles	¥480	100.00
Nissan Real Estate Development Corporation	Tokyo	Real estate sales, purchase and leasing	¥1,000	70.50
Nissan Finance Co., Ltd.	Tokyo	Finance and accounting support	¥2,491	100.00
Aichi Nissan Motor Co., Ltd.	Nagoya, Aichi	Sales of automobiles and parts	¥4,000	100.00
Tokyo Nissan Motor Sales Co., Ltd.	Tokyo	Sales of automobiles and parts	¥3,400	100.00
Nissan Prince Tokyo Motor Sales Co., Ltd.	Tokyo	Sales of automobiles and parts	¥3,246	100.00
Nissan Satio Osaka Co., Ltd.	Osaka	Sales of automobiles and parts	¥2,000	100.00
Nissan Chuo Parts Sales Co., Ltd.	Yokohama, Kanagawa	Sales of automobile repair parts	¥545	80.61
Nissan Keihin Service Center Co., Ltd.	Ayase, Kanagawa	Inspection and service of new automobiles	¥215	100.00
Nissan Used Car Center Co., Ltd.	Zama, Kanagawa	Sales of used cars and parts	¥480	100.00
<b>US</b>				
Nissan North America, Inc.	Gardena, California	Management of North American subsidiaries, manufacture and sales of automobiles and parts	\$1,791	100.00
Nissan Motor Acceptance Corporation	Torrance, California	Finance of wholesale and retail automobile sales in US	\$499	100.00
Nissan Motor Corporation in Hawaii, Ltd.	Honolulu, Hawaii	Sales of automobiles and parts	\$6	100.00
Nissan Capital of America, Inc.	Torrance, California	Financing for group companies	\$1	100.00
Nissan CR Corporation	Farmington Hills, Michigan	Sales of automobiles and parts	\$28	100.00
Nissan Technical Center North America, Inc.	Farmington Hills, Michigan	Research and development, testing	\$16	100.00
Nissan Motor Insurance Corporation	Honolulu, Hawaii	Casualty insurance	\$10	100.00
Nissan Forklift Co., North America	Marengo, Illinois	Manufacture and sales of forklifts and parts	\$34	100.00
<b>Canada</b>				
Nissan Canada, Inc.	Mississauga, Ontario	Sales of automobiles and parts	CAN\$68	100.00
Nissan Canada Finance Inc.	Mississauga, Ontario	Finance of wholesale and retail automobile sales in Canada	CAN\$170	100.00
<b>Mexico</b>				
Nissan Mexicana, S.A. de C.V.	Mexico D.F.	Manufacture and sales of automobiles and parts	P17,056	100.00

\*Percent of voting rights held by Nissan Motor Co., Ltd.

### Europe

Nissan Europe S.A.S.	Trappes, France	Management of European manufacturing and sales	€1,626	100.00
Nissan International Finance (Netherlands) B.V.	Amsterdam, The Netherlands	Financing for group companies	€13	100.00
Nissan France S.A.	Trappes, France	Sales of automobiles and parts	€4	94.77
Nissan Motor (GB) Ltd.	Rickmansworth, UK	Sales of automobiles and parts	£136	100.00
Nissan Holding (UK) Ltd.	Sunderland, UK	Holding company for English subsidiaries	€870	100.00
Nissan Italia S.p.A.	Rome, Italy	Sales of automobiles and parts	€5	100.00
Nissan Motor Manufacturing (UK) Ltd.	Sunderland, UK	Manufacture and sales of automobiles and parts	£250	100.00
Nissan Technical Center Europe Ltd.	Cranfield, UK	Research and development, testing	£15	100.00
Nissan Forklift Europe B.V.	Amsterdam, The Netherlands	Sales of forklifts and parts	€6	100.00
Nissan Motor Iberica, S.A.	Barcelona, Spain	Manufacture and sales of automobiles and parts	€725	99.74
Nissan Motor Espana, S.A.	Barcelona, Spain	Sales of automobiles and parts	€12	100.00
Nissan Forklift Espana, S.A.	Noain, Spain	Manufacture and sales of forklifts and parts	€9	100.00
<b>Australia</b>				
Nissan Motor Co. (Australia) Pty. Ltd.	Dandenong, Victoria	Sales of automobiles and parts	A\$290	100.00
<b>New Zealand</b>				
Nissan New Zealand Ltd.	Auckland	Managing New Zealand subsidiaries; automobile sales	NZ\$51	100.00
<b>South Africa</b>				
Nissan Motor Company South Africa (Pty) Ltd.	Rossllyn	Managing South African subsidiaries; automobile manufacturing and sales	R39	99.39
<b>Middle East</b>				
Nissan Middle East F.Z.E.	Dubai, UAE	Automobile sales	Dh2	100.00
<b>Asia</b>				
Nissan Motor (China) Ltd.	Hong Kong	Automobile sales	HK\$16	100.00

Other consolidated subsidiaries 189 companies

Total consolidated subsidiaries 234 companies

# Subsidiaries and affiliates accounted for by the equity method

as of Mar. 31, 2003

Company	Location	Principal Business	Capital (millions)	Nissan share (%)
<b>Japan</b>				
Calsonic Kansei Corporation	Tokyo	Manufacture and sales of automotive parts	¥12,048	32.23
Nissan Diesel Motor Co., Ltd.	Ageo, Saitama	Manufacture and sales of automobiles and parts	¥13,603	23.22
Kinugawa Rubber Industrial Co., Ltd.	Chiba, Chiba	Manufacture and sales of automotive parts	¥5,654	20.48
Hashimoto Forming Industry Co., Ltd.	Yokohama, Kanagawa	Manufacture and sales of automotive parts	¥2,211	25.20
Ohi Seisakusho Co., Ltd.	Yokohama, Kanagawa	Manufacture and sales of automotive parts	¥2,766	29.06
<b>Taiwan</b>				
Yulon Motor Co., Ltd.	Miao Li County	Manufacture and sales of automobiles	NT\$18,291	25.03
<b>France</b>				
Renault	Billancourt	Manufacture and sales of automobiles and parts	€1,086	15.00
Other subsidiaries and affiliates accounted for by the equity method				33
Total subsidiaries and affiliates accounted for by the equity method				40

\*Percent of voting rights held by Nissan Motor Co., Ltd.

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**Investor Relations Website**  
<http://www.nissan-global.com/EN/IR/>

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See April 23, 2003 NISSAN 180 Update

## NISSAN 180

### President's Address on April 2, 2002

Introduction

NISSAN 180

More Revenue

Less Cost

More Quality and Speed

Maximized Alliance with Renault

Vision & Mission / Conclusion

**NISSAN**

## Introduction

When I spoke to you last year for my new year's address, I told you that NRP was propelling Nissan at a faster pace and reaching higher than most anticipated. This year, I can not only confirm what I said but also announce to you that we have achieved all of the official commitments that we took at the start of the plan, one full year in advance. This performance is a source of satisfaction and encouragement. It is the best demonstration of Nissan's potential and capacity to compete effectively with world-class automotive companies.

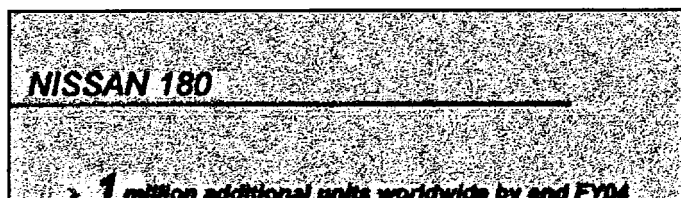
Today, at the beginning of fiscal year 2002, we are taking the next step in our revival process as we close the books on NRP and open a new book called NISSAN 180. NISSAN 180's focus may be different, but its inspiration comes straight from NRP. It is because we successfully completed NRP that we can now turn our attention to growing Nissan with the same determination focus and professionalism.

Nissan is now ready and positioned for growth.

## NISSAN 180

Our plan for the future is to capitalize on the momentum created by NRP and jump-start NISSAN 180. NISSAN 180 will start with FY02 and complete the revival process of Nissan with, this time, an emphasis on profitable growth.

As all of you are already aware, the objectives of NISSAN 180 are contained in the name of the plan: let me review them briefly one by one:



The "1" stands for an additional one million unit sales worldwide by the end of FY04, based on FY01 figures. The achievement of this goal will be measured over a period of one year starting on October 1st, 2004 until September 30th,

2005. We have chosen this period in order to make sure that sales will benefit from the full impact of the new products to be launched under NISSAN 180, including the ones to be launched in FY 04. This objective includes Nissan and associated brands in passenger cars and light commercial vehicles. The growth in unit sales will not be at a constant pace. We expect to see acceleration in the latter period of the plan due to the cumulative effect of new products and our entry in the full-size truck segments in the US.

The "8" stands for an 8-percent operating margin for the full FY04, which is the third year of the plan. This margin will be calculated as it is currently under NRP, keeping constant accounting standards. Our profit margin objective is intended to position Nissan at the top level of profitability in the global auto industry. Some of the best are already above 8 percent and many are moving up fast as the overall level of efficiency improves in the industry.

Finally, "0" stands for zero net automotive debt by end of fiscal year 04. As with the operating margin, automotive debt will also be calculated at constant accounting standards. Debt has been the financial plague of Nissan for over fifteen years and has prevented us from effectively preparing for the future. Going to zero is the best way to regain the maximum financial flexibility enabling us to make sound investment decisions based on expected returns.

To better measure those returns, we have decided to add a new yardstick of financial performance called ROIC in addition to the existing consolidated operating profits and automotive debt targets. ROIC, which stands for Return On Invested Capital, is designed to measure the returns produced by our automotive assets, net working capital and cash.

The executive committee has worked for several months, receiving input from the CFTs and the divisions to arrive at these commitments. The achievement of NISSAN 180 will depend on four **critical objectives**: generating more revenue with less cost and more quality & speed while maximizing the alliance with Renault.

We have made a series of key assumptions, which describe the external environment that we foresee for the next three years. We have made reasonably conservative assumptions, both in terms of foreign exchange rates and total industry volumes.

#### **NISSAN 180** **Critical Objectives**

- **More Revenue**
- **Less Cost**
- **More Quality & Speed**
- **Maximized Alliance with Renault**

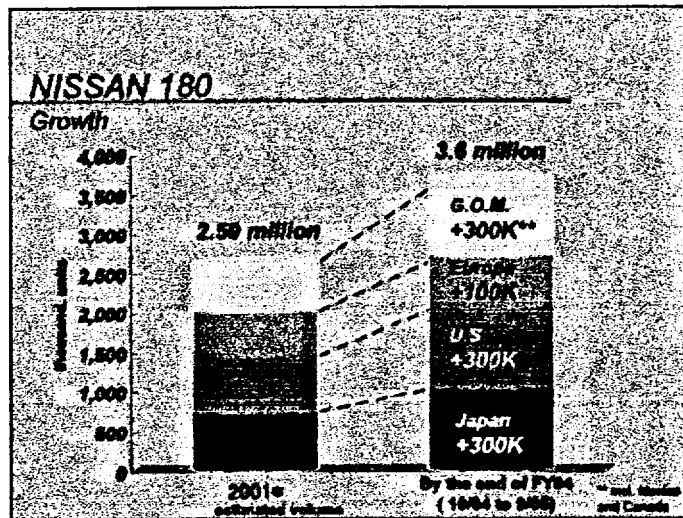
Our foreign exchange rate assumptions are 125 yen to the dollar for FY02 and 155 yen to the dollar for 03 and 04, and 110 yen to the euro for the three-year period of NISSAN 180. We will maintain the 100-yen to the dollar and ero assumption for planning purposes for the period beyond NISSAN 180.

We expect the anture automotive markets to grow modestly over the duration of the plan with Japan at +6.7 percent excluding mini cars, the United States down slightly by 0.5 percent and Europe up by 2.1 percent. We believe that other markets such as Asia or South America will provide more opportunities for growth. In summary, we are making a reasonable global volumn growth assumption of 3.9 percent for the three-year period or 1.3 percent per year on average, including mini cars.

### **More Revenue**

Let us now go into a more detailed description of the action plans that will support the achievement of NISSAN 180. I will describe the main ones today. Many of you are busy in your

departments and regions in putting action plans together and I realize that it will still take a few months until July to finalize all the details.



On a regional basis, we are aiming for the following breakdown of our additional million units in sales: 300,000 in Japan, 300,000 in the United States, 100,000 in Europe and 300,000 in the general overseas market. In this presentation, Canada and Mexico is included in GOM, so that we can highlight the US market as a stand-alone region. From our base of 2.59 million units in fiscal year 01, this represents a growth of 39 percent in unit sales in three years.

Increasing unit sales and market share does not happen automatically; it is something you must plan for in a methodic and disciplined manner. Already

under NRP, we were hard at work, conceiving and designing new cars and light trucks and rebuilding the brand. The products that were under development then, such as the March, are all going to come to the market in the next three years.

We have been measuring and tracking Nissan's brand power in all key markets. We have been measuring transaction prices compared to our competitors' resale values and brand image. Not surprisingly, much needs to be done to improve our positions.

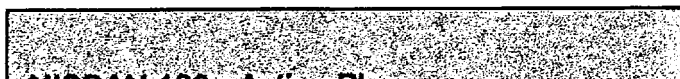
We have already set two objectives and a third one will come later in the fall. The first one is to **reduce the transaction price and resale value gap** with Toyota by 50 percent in Japan and the United States. Toyota is our benchmark in these markets and the strength of their brand gives them an additional opportunity to grow their presence. Second, In Europe, we have chosen Volkswagen as our benchmark with the objective to close the gap by 30 percent on average. Finally, for the **GOM region**, we will set objectives for selective countries by September 2002.

**NISSAN 180 - Action Plan**

**More Revenue**

- Objectives based on FY99
  - Reduce transaction price and resale value gap with Toyota by 50% in Japan & USA
  - Reduce transaction price and resale value gap with VW by 30% in Europe on average
  - GOM objectives to be set for selective countries by 9/02

In order to ensure that Nissan will be again capable of developing **innovative products** and perceived as an innovative company, we have reorganized the upstream processes that lead to product concepts. In the early 90s, several of Nissan's models were ranked among the 10 most innovative cars in Japan. For example, in 1991, 4 out of the 10 ranked were Nissan's. In the mid 90s, Nissan models disappeared from the top 10, leading to a situation where only 42.7 percent of those surveyed in 2000 described Nissan as an innovative company, whereas Honda and Toyota received responses of 70 percent. We need to change this perception back, for Nissan to be viewed as innovative. Our objective in Japan is to have 3 models ranked in the top 10 most innovative cars while at the same time receiving a positive overall opinion. In the US, specific objectives will be finalized by July 2002.

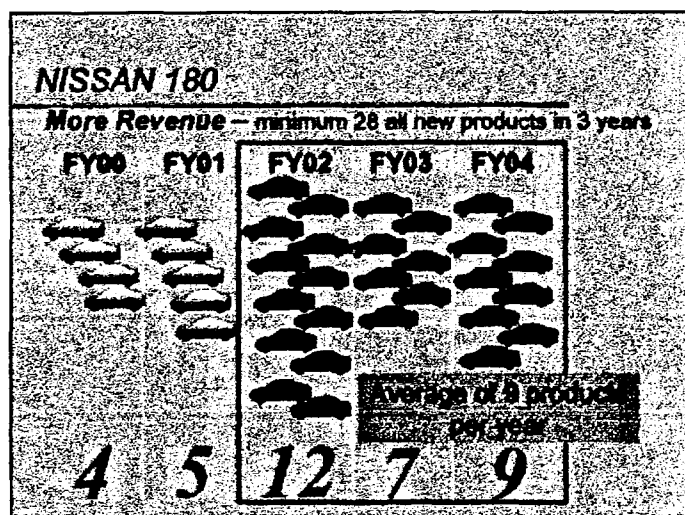


Many other action plans are in place ranging from the monitoring of purchase intentions, overall opinion and satisfaction

of our customers for our products. Do not forget that in the end, customers are the ones who decide which products are attractive and which ones are not.

Finally, we are focusing our attention at reducing the complexity and diversity of our line-up, especially here in Japan. From the start of NRP, we have reduced the number of body types globally by 20 percent. In Japan, we have reduced the number of grades by 40 percent, and number of part types by more than 25 percent. Our efforts will continue and focus on the powertrain variation with an expected reduction of 25 percent in 2004 compared to 2001 for Japan and US, while accepting an increase of 25 percent in Europe due to the product specificity of this market. These objectives are still under-discussion and will be confirmed by July. Additionally, a project aiming to achieve yearly sales of more than 300,000 units of the same car is under investigation to be finalized in July 2002. Fewer but more powerful products are easier to sell and less costly to assemble, making everyone a winner.

Our product plan is even more intense than under NRP. We have planned a minimum of 28 all new products, which is an average of nine products a year for the years 02, 03 and 04 and already in 2002, 12 all new products will be launched worldwide.



What I can tell you is that we will **launch products in all segments** as you can see from this chart. Some of them will come in new segments for us like the full-size SUVs and pick-up trucks in the United States, or mini cars here in Japan.

Rebuilding our presence in Japan is the cornerstone to increasing our unit sales and overall profitability. Sustaining our presence in overseas markets depends on the strength of our domestic market. With the product plan in place signaling the return of Nissan in the entry level segments with the March, Moco and Cube leads us to set the objective to place three Nissan cars in the top ten monthly selling list in Japan.

In Japan, our action plan will be based on a convenient retailer strategy, a new conquest strategy, and strong outlet management. **In the US, we will focus further on marketing and advertising, reinforce our distribution network, and improve our CSI and SSI scores.** Finally in Europe, we will work to improve on our brand image, implement the hub strategy with Renault for efficiency and also improve our CSI and SSI scores.

**NISSAN 180 - Action Plan**

**More Revenue**

Marketing & Sales plan to support growth

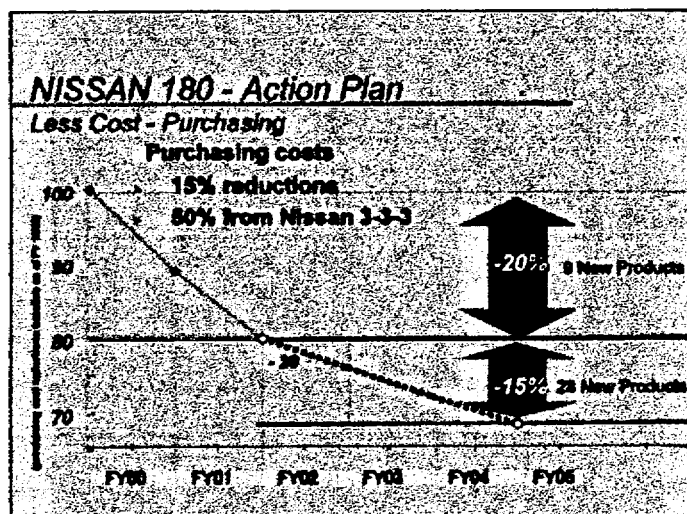
**USA**

- Focused marketing/advertising
- Reinforcement of the distribution network
- Exclusivity
- Performance
- CSI/SSI improvement

## Less Cost

This broad-based product offensive and brand enhancement is at the base of our increased revenues. But it cannot be accomplished without the necessary cost efficiency. NRP put Nissan back on the map; it did not create a competitive advantage relative to our competitors. Be aware that all the global auto companies are working at improving their cost base as prices in our industry stopped rising years ago.

NISSAN 180 addresses the main cost drivers with specific action plans that I would now like to review for you.



As under NRP, **purchasing** remains the single most important cost item of our income statement. We announced our new targets to our suppliers at a convention in February. They call for a reduction of 15 percent over three years. However, the nature of the reductions is quite different from NRP.

The 15 percent reduction will come with the launch of the 28 all new products I just described and the additional volumes from NISSAN 180. Under NRP, our volumes did not increase and we only launched 9 all new cars, making the cost reduction target more of a challenge.

In addition, we have increased significantly the input and contribution coming from Nissan's engineering department, which has committed to increasing Nissan 3-3-3 activities to 50 percent of the total reduction effort.

In **manufacturing and logistics**, we are also going to improve our productivity. Manufacturing has committed to reducing per unit costs by 12 percent over the course of three years. Global logistics costs are also to be reduced by 12 percent by the end of the plan.

**NISSAN 180 - Action Plan**

**Less Cost**

- **Manufacturing & Logistics**
  - Manufacturing costs per unit to be reduced by 12%
  - Global logistics costs to be reduced by 12%
  - 7% inventory to sales

**NISSAN 180 - Action Plan**

**Less Cost - Distribution**

**Total distribution costs (TDC) reduction in 3 years**  
**TDC = NML's sales & marketing expenses + dealer margin**

- Japan: -3.7 pts, U.S. -3.1 pts, Europe: -1.8 pts
- Specific targets for Canada, Mexico, Australia, South Africa

In **distribution**, we have targeted specific reductions in total distribution costs by region, starting with Japan, the United States and Europe. The other countries that you see on this chart will also be given targets to be reached. Let me remind you that distribution costs, which is 2nd largest item after purchasing, represents all the costs from the time the car leaves the plant to the moment it arrives in the hands of a customer (this includes advertising costs, promotion costs, dealer margins, etc, but not logistic costs).

We have set a global objective to reduce distribution costs over three years by

three percentage points going from 27 percent to 24 percent of revenues. This means a leaner and more effective sales and distribution system.

I expect the distribution side of our business to be at the forefront of the sales offensive with the arrival of our new products, but also to become a leaner, more efficient function globally and contribute to our profitability.

**NISSAN 180 - Action Plan**

**Less Cost**

- **R&D**
  - R&D to sales to remain in range from 4% to 4.5%
  - Prepare through V3P R&D for a next step of:
    - 20% cost reduction per program
    - Shorter development lead times from existing platform:
      - Japan -50%, US/EU -33%

In **R&D**, we will pursue along the course set by NRP. R&D expenses will remain in a range of 4 percent to 4.5 percent of sales as we are continuing our efforts to reduce development costs per vehicle program. During NISSAN 180, we will position R&D, through our specific V3P project, for a next step of 20 percent in cost reductions per program while shortening development lead times from existing platforms. by 50 percent in Japan and 33 percent in the US and Europe.

For **warranty costs**, we have set a long-

term target to reduce them by 50 percent as a percentage of the wholesale price per car compared to today, going from 2.7 percent to 1.35 percent for all new cars. During NISSAN 180, we expect our warranty costs to be stable despite our sales increase. Finally, finance costs will go to zero as the net automotive debt drops. Since the debt target is at the end of FY 04, there will still be some finance costs during FY04, but non thereafter.

The action plans that will generate more revenue at less cost are necessary and perhaps even critical to achieving our targets. But they are not sufficient to ensure lasting profitable growth. Quality of our products, quality of our management and speed will make the difference.

## More Quality and Speed

<b>NISSAN 180 - Action Plan</b>		
<b>More Quality &amp; Speed</b>		
<ul style="list-style-type: none"> <li>Quality for customers – for the 26 new Nissan 180 vehicles</li> <li>Nissan Quality 3 – 3 – 3: focus on 3 categories</li> <li>Be among top 3 in each category/region, if not be best Japanese make in 3 years</li> </ul>		
Category		Indicator
Product	Perceived Attractiveness	Overall Opinion
Attractiveness	Owner's Satisfaction	JDP APEAL
Product Quality	Initial	JDP IQS
	Reliability	JDP VDI, SOPRES
Sales & Service	Sales	SSI
	Service	CSI

Let us begin with quality for our customers. With the large number of cars to come, we have a responsibility towards them to satisfy their expectations of quality. Because we are Nissan, expectations are high. Quality is perhaps our single most precious asset. Other companies benchmark their performance on us and base bonuses for employees on how they compare to Nissan. When you are among the best, staying there is as much of a challenge as trying to improve. I expect the utmost transparency from all those involved in the management of our product quality, which is crucial to maintaining our reputation.

Nissan Quality 3-3-3 will focus on three categories of quality: product attractiveness, ordinary product quality and sales & service quality. In the three years of NISSAN 180, the program targets to be among the top three in each category in each region, or if not, to be the best Japanese make. Top three; that is how important we believe quality is for Nissan and our brand.

Quality does not stop with products or services. Measuring and developing the quality of management is as important. Best management practices arise when values and performance can be quantified or measured. To ensure that management is in tune with employee expectations, the internal communications department will develop a new quarterly survey on the quality of management starting in September 2002.

During NRP, we have been building gradually the Nissan Management Way, of which the two cornerstones are the cross-functional teams and the value up program.

**CFTs** will continue to function with the same level of importance under NISSAN 180 as under NRP. We have decided to update their line-up and will re-introduce the concept of two leaders plus a pilot to ensure that they remain durably cross-functional from the top.

## NISSAN 180 - Action Plan

### More Quality & Speed

New CFT Line-up		Co-Leaders		Pilot
#1-3	Associated Business	Matsumura-EVP	Ikura-VP	J. Endo*
#1-4	Supply Chain Management	Takahashi-EVP	Kikahara-SVP	I. Yoshizawa
#1-6	Intellectual Assets Management	Isayama-VC	Watanabe-SVP	TBA
#1-7	Fleet Business	Sato-VP	Thormann-VP	J. Endo*
#2	Purchasing	Koseda-EVP	Ishida-SVP	T. Otani
	Nissan 3-3-3	Ookubo-EVP	Ray-SVP	Masuda/Kadowaki
#3	Manufacturing & Logistics	Takahashi-EVP	Kurihara-VP	S. Kato
#4	R&D	Ookubo-EVP	Kojima-SVP	T. Matsumoto
#5	Marketing & Sales	Matsumura-EVP	Imai-SVP	T. Katagiri
#6	G&A	Moulonguet-EVP	Katsui-VP	S. Matsumoto
#7	Finance Cost	Moulonguet-EVP	Sato-VP	K. Nakagawa
#8	Product/Part complexity/diversity management	Peiza-EVP	Yanagata-SVP	J. Okada
#9	Quality of Management	Watanabe-SVP	Imazu-SVP	Y. Kodama
#10	Cost of Investment	Takagi-SVP	Klein-VP	M. Harada

Two new CFTs have been created in the business development area; first on intellectual asset management with Mr. Isayama and Mr. Watanabe as co-leaders, the second on the development of fleet business under co-leadership of Mr. Thormann and Mr. Satou with Mr. Endo as pilot. In addition, several pilots will change due to management changes as of April 1, 2002. The following people will become pilots. Mr. Matsumoto of CFT #4 on R&D, Mr. Katagiri CFT #5 on marketing and sales and Mr. Nakagawa CFT #7 on financial costs.

As the second cornerstone for Nissan Management Way, the deployment of value-up will continue as an important tool for continuous process improvement and problem solving. It is one of the organization pillars of NISSAN 180. 400 v-pilots are to be trained in FY02 and be at full speed.

### Maximized Alliance with Renault

#### NISSAN 180

##### Alliance

- Maximized synergy under Alliance
  - Common approach in specific markets  
Mexico, South America, North Africa, etc.
  - More efficiency through selective commonization  
B&C platforms, common engines, etc.
  - Extensive exchange of best practices between two companies

Just as under NRP, the alliance with Renault will produce **synergies** that go beyond the performance that Nissan could achieve alone. It is a major competitive advantage.

The alliance is key to the future growth and profitability of both Nissan and Renault. In the last few days, we have completed the shareholding transactions as announced last October. Let me briefly update you.

At the beginning of March, Renault exercised their warrants and increased their stake in Nissan to 44.4 percent. Last week, Nissan acquired a 13.5-percent

stake in Renault and retained the right to move to 15 percent. We will review any supplemental move after we close our accounts for fiscal year 01 and set the forecast for fiscal year 02. This

shareholding will not change the way we work today, nor the way we develop the alliance in future years. The stock transactions simply conclude what was planned and decided in 1999.

Today, after having shown our financial situation, I can announce that we intend to acquire additional shares newly issued by Renault and increase our stake to 15 percent, which will allow us to consolidate our holding by the equity method. We will buy the shares at the average 20-day market price preceding Renault's board meeting, which will authorize the issuance of the shares in the coming weeks. This simply concludes what was planned and decided in March 1999, and no further moves are contemplated for the future.

Much will happen in the next three years in three main directions. The first is in the area of marketing and sales to derive a common approach in specific markets such as Mexico, South America and North Africa. The second deals with generating more efficiency through selective commonization such as the B&C platforms and common engines. The third direction is an extensive exchange of best practices between the 2 companies.

I have laid out in front of you the four critical objectives of NISSAN 180: more revenue, less cost, more quality and speed, and maximized alliance with Renault. It is now your responsibility to make sure that every person in the company works and contributes to achieve NISSAN 180.

## Vision & Mission / Conclusion

**Vision & Mission**

- **Vision**  
*Nissan: Enriching people's lives*
- **Mission**  
*Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders in alliance with Renault*

As Nissan enters this new era, we felt it was necessary to establish a corporate **Vision & Mission statement** that could serve as a single, common reference that all Nissan employees would recognize and support.

The Vision is the long-term direction for the company, Nissan's *raison d'être*. It is a state of mind; providing guidance for our future and is therefore abstract by definition. Do not expect from these short statements a pragmatic and concrete action plan that you would implement in your daily jobs. Let me read it to you: Nissan: Enriching people's lives. I think that these three simple words describe

what we are all about.

The Mission statement describes the specific role that Nissan is committed to undertake in order to reach its vision. It contains three key words, which I would like you to remember: automotive, value and alliance.

**Vision & Mission**

- **Guiding Principles**
  - S: Seeking Profitable Growth**
  - U: Unique and Innovative: "Bold & Thoughtful"**
  - C: Customer-Focused and Environmental Friendly**
  - C: Cross-Functional and Global**
  - E: Earnings and Profit Driven**
  - S: Speed**

Combined with **Guiding Principles** contained in the seven letters that make up the word SUCCESS, you have the constitution of what our behavior and actions should be, no matter what your department, field of activity or responsibility.

We have closed a book on NRP and are entering into a new phase of the revival process, NISSAN 180. I would like to thank you for your efforts in the last two years and ask you to devote same level of

energy and determination to transform  
our ambitions in NISSAN 180 into a solid and concrete reality.

NRP brought Nissan back to an acceptable level of performance; we rank above average in our universe of competitors. NISSAN 180 will take our performance to a level of excellence, to one where Nissan will be world class.

This is my ambition for Nissan. I am confident in what we have prepared for this fiscal year. Just like in NRP, planning for NISSAN 180 is 5 percent of the job, implementation is 95 percent. I am counting on you to tackle the job, just as you did for NRP.





NISSAN GLOBAL

HOME

NEWS

ENVIRONMENT/  
SAFETY

FOR INVESTORS

Global Websites

Japanese

2003 NEWS

2002 NEWS

2001 NEWS

2000 NEWS

1999 NEWS

1998 NEWS

June 26, 2003

## NISSAN ADDS PATHFINDER PRODUCTION TO SMYRNA PLANT

### Popular SUV to be built next year in its largest market

NASHVILLE, Tenn. (June 25, 2003) – Nissan today announced that the all-new, next generation Nissan Pathfinder premium sport utility vehicle will be built at the Smyrna, Tenn., assembly plant beginning in the fall of 2004.

The addition will bring approximately 800 new Nissan jobs at the Smyrna assembly and Decherd powertrain plants. Also, approximately 700 new jobs will be created at the on-site operations of Smyrna and Decherd suppliers and contractors, and additional jobs will ripple through other Nissan suppliers that help build the new product.

The company will invest nearly \$250 million to accommodate the production shift of the Pathfinder, as well as prepare for upcoming model changes on the Nissan Xterra SUV and Nissan Frontier pick-up truck. This will bring Nissan's total investment in Tennessee to \$2.75 billion.

Plant renovations will be minimal, adding only 170,000 additional square feet to Smyrna's current 5.4 million square-foot plant. The facility's Stamping plant will increase by 90,000 square feet and an additional 80,000 square feet will be added to the company's logistics center. Annual production capacity at Smyrna will increase to 550,000 units and will be divided between two platforms and five models. Altogether, the plant will have the capability to produce up to 300,000 trucks and SUVs and up to 250,000 sedans.

No new building space will be needed at the Decherd plant. Its capacity will be increased to nearly 1 million engines annually.

"The additional volume increases the Smyrna plant's flexibility to adjust our production mix to changes in the marketplace," said Emil Hassan, senior vice president, North American Manufacturing, Purchasing, Quality and Logistics for Nissan North America. "Production of the Pathfinder is an appropriate move for the company given our employees' track record of handling the complexities of manufacturing multiple vehicles. It will be a challenge to integrate this all-new SUV into our product mix, along with our upcoming model changes. But I know the Smyrna and Decherd teams are capable of handling the challenges of

manufacturing five separate vehicles simultaneously.”

In a press conference at the Tennessee Capitol, Gov. Phil Bredesen welcomed Nissan's news of the continuing growth for the company in Tennessee.

“Today's announcement is a tremendous vote of confidence in our state's business climate and workforce,” said Bredesen. “We are proud that Nissan has chosen, once again, to expand in Tennessee and we look forward to the opportunity to build upon our much-valued partnership with them.”

Nissan has invested approximately \$4.2 billion in its three U.S. manufacturing facilities. At the Smyrna, Tenn., assembly plant, workers currently build Nissan Maxima sports sedans, Nissan Xterra sport-utility vehicles, Nissan Frontier pickup trucks and Nissan Altima midsize sedans. Its Canton, Miss., plant builds the all-new Quest minivan and by mid-2004 will launch the Nissan Titan King Cab and Crew Cab full-size pick-up trucks, the Nissan Pathfinder Armada full-size sport utility vehicle, a full-size SUV for Infiniti and additional Altima sedans. In Decherd, Tenn., Nissan employees machine components and assemble transaxles and all the vehicle engines for both Nissan's U.S. automotive manufacturing plants.

In North America, Nissan's operations include automotive styling, engineering, consumer and corporate financing, sales and marketing, distribution and manufacturing. More information on Nissan in North America and the complete line of Nissan and Infiniti vehicles can be found online at [www.NissanUSA.com](http://www.NissanUSA.com) and [www.infiniti.com](http://www.infiniti.com).

###

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HOME

NEWS

ENVIRONMENT/  
SAFETY

FOR INVESTORS

Global Websites

Japanese

2003 NEWS

2002 NEWS

2001 NEWS

2000 NEWS

1999 NEWS

1998 NEWS

May 27, 2003

## NISSAN INAUGURATES NEW PLANT IN CANTON, MISS.

### Nissan expands North American lineup with new minivan, full-size trucks/SUVs

CANTON, Miss. (May 27, 2003) - Nissan President and CEO Carlos Ghosn today joined more than 2,000 employees and guests at a launch event marking the start of production at the company's new \$1.4 billion assembly plant in Canton, Miss. With the capacity to produce 400,000 vehicles a year, the facility will build the Nissan Quest minivan, Nissan Pathfinder Armada sport utility vehicle, Nissan Titan King Cab and Crew Cab full-size trucks, Nissan Altima sedan and Infiniti full-size sport utility vehicle.

"This is Nissan's revival plant," said Ghosn. "Three years ago, when Nissan's mere survival was in question, the Nissan Revival Plan provided the resources needed to build this plant. It's a different story today, and Canton is set to play a significant part in our company's future.

"The vehicles built in Canton will significantly expand our product lineup in North America," he added. "The employee team here will produce attractive, competitive vehicles to be marketed in high-volume, high-profit segments -- many of which are segments where Nissan has not competed before."

As the first automaker in Mississippi, Nissan's Canton Plant heralds the beginning of the automotive industry in the state. The Canton Plant currently has 1,950 employees; in mid-2004, when full production is reached, the plant will employ 5,300 people. Additional jobs are being created by Nissan supplier companies and businesses that will support operations at the Canton Plant.

"We are proud to welcome Nissan to Mississippi, as we celebrate the opening of a project nearly three years in the making," said Gov. Musgrove. "This facility, our people working in it and the product we are building are all focused on excellence. We are looking forward to a long and healthy partnership with Nissan and the mutual benefits that will result from that partnership."

The new plant will be an important contributor to NISSAN 180, the company's three-year business plan aimed to establish

sustainable, profitable growth. The plan has three commitments: to achieve 1 million additional sales worldwide by the end of fiscal year 2004, compared to fiscal year 2001; to achieve an 8% operating margin; and to achieve zero net automotive debt, using constant accounting standards. On May 21, the company reported fiscal year 2002 record operating profits of \$6.04 billion, an industry-leading 10.8% operating margin and the total elimination of its debt. The commitment to increase sales by 1 million units will be supported by the Canton Plant.

In April 2001, plant construction began on the 1,400-acre site located 15 miles north of Jackson. Before the initial construction was completed, Nissan announced plans to expand the plant for the production of the Nissan Altima sedan, which is also manufactured in Smyrna, Tenn. The Canton Plant currently covers 3.5 million square feet.

The first vehicle to be produced is the 2004 Nissan Quest minivan. The Quest is scheduled to go on sale at more than 1,100 Nissan dealers nationwide in July 2003.

"The Quest is the first of the 10 all-new models Nissan will launch globally in fiscal year 2003," said Ghosn. "The Quest and the following new models made in Canton will make a significant contribution to our objective to sell 852,000 vehicles in the U.S. this year."

Nissan has invested nearly \$4 billion in its three U.S. manufacturing facilities. In addition to the Canton Plant, Nissan's plant in Smyrna, Tenn., builds Nissan Maxima sports sedans, Nissan Xterra sport utility vehicles, Nissan Frontier pickup trucks and Nissan Altima midsize sedans. In Decherd, Tenn., employees machine components and assemble transaxles and all the vehicle engines for Nissan's U.S. manufacturing plants.

Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders in alliance with Renault. Recognizing its 70<sup>th</sup> anniversary this year, Nissan Motor is currently at the top level of profitable automakers in the global automotive industry. Employing 125,000 people worldwide, Nissan plans to design, produce and sell over 3 million passenger cars and commercial vehicles in more than 190 countries in fiscal year 2003.

More information on Nissan and the complete line of Nissan and Infiniti vehicles in the United States can be found online at [www.NissanUSA.com](http://www.NissanUSA.com).

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NISSAN



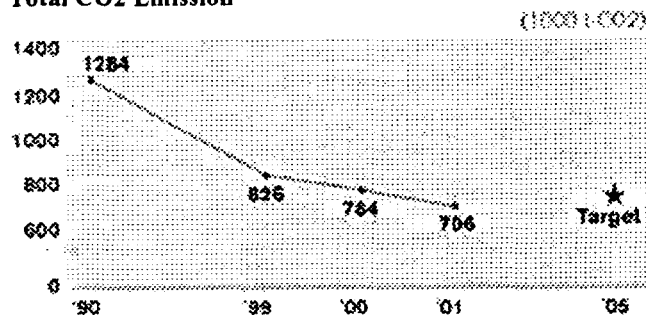
TOP Message Environmental Philosophy Nissan Green Program 2005 Development Manufacturing Sales & Service Recycling

## Manufacturing

### Promoting energy saving

Nissan has improved productivity by consolidating plants and processes and enhanced energy conservation by introducing high-efficiency cogeneration systems. Total CO2 emissions in 2001 fell 14.5% from 1999 levels (down 45% from 1990 levels).

#### Total CO2 Emission



### Achieved zero emission

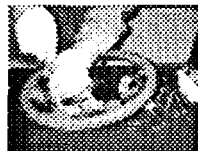
As a result of the company's efforts to achieve zero emission in wastes, Nissan has achieved the target of zero waste for reclamation.\*1 Nissan's plants and offices have made extensive efforts to sort and recycle wastes. As a result, the total recycling rate has risen substantially, to 97.6%.

\*1 The target is to reduce the weight of waste that goes directly from plants and business offices to landfills to less than 1.5% compared to fiscal year 1990 levels.

#### Examples of waste reduction and recycling

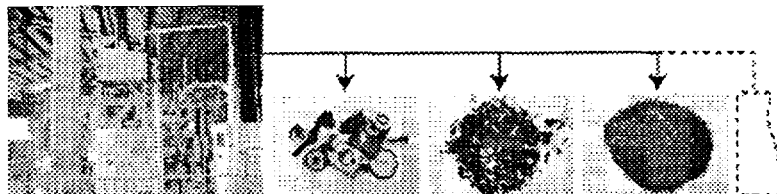
##### < Oppama Plant >

Scrap parts are disassembled by hand and metal pieces are recycled.



##### < Zama Office >

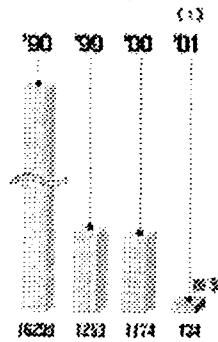
Floor trash sorter divides trash into large trash, steel trash, non-ferrous metal trash, sand, and combustible trash. As a result, 90% of the trash is now recycled.



**Disposed weight by reclamation<sup>\*2</sup>**

<sup>\*2</sup>Shows the weight of waste that goes directly to landfills from plants and business

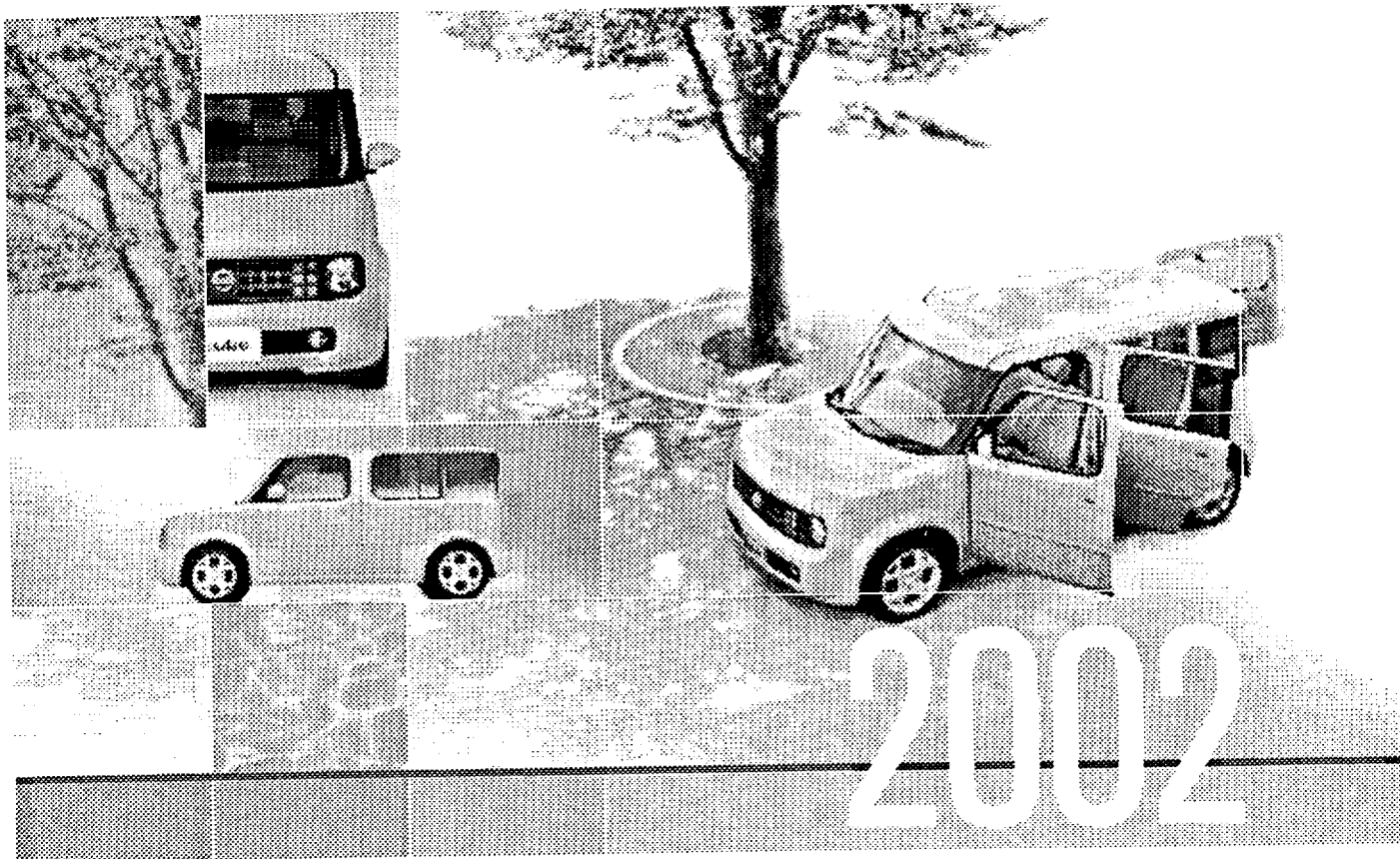
<sup>\*3</sup>Annual equivalent as of March 2002





# Environmental and Social Report

Year Ended March 31, 2003



**Nissan: Enriching People's Lives**



## Contents

● Vision & Mission	1
● Corporate Overview and Scope	2
● Messages from Management	3
● Approach to Sustainable Development	4
<b>1 Environmental Management</b>	5
● Nissan's Environmental Philosophy and Policies	6
● Assessment of the Environmental Impacts of Vehicles and Business Activities	7
● Environmental Management System	8
● Environmental Management Program	9
● Environmental Accounting	10
● Environmental Risk Management	11
● Environmental Education	12
● Environmental Communication	13
<b>2 Environmental Performance</b>	14
● Product Development	15
● Manufacturing	16
● Sales and Service	17
● Recycling	18
● Others	19
<b>3 Social Performance</b>	20
● Compliance	21
● Communication with Customers	22
● Corporate Citizenship	23
● Health and Safety	24
● Policy for Employees	25
<b>4 Data and Reference</b>	26
● Environmental Data of Main Plants	27
● Important Plant Environmental Data for Consolidated Subsidiaries	28
● Environmental Data for Overseas Subsidiaries	29
● Main Environmental Data of New Vehicles	30
● Others	31



For more detailed information, please visit either of the following homepages:  
<http://www.nissan-global.com>  
<http://www.nissancorp.com>

Cover photograph: The Nissan Cube (an ultra-low emission vehicle as certified by the Land, Infrastructure and Transportation Ministry)

## Vision

**Nissan: Enriching people's lives**

## Mission

Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders in alliance with Renault.

Note: Our stakeholders include customers, shareholders, employees, dealers, suppliers, as well as the communities where we work and operate.

## Objectives

Seeking Profitable Growth  
 Unique and Innovative: "Bold and Thoughtful"  
 Customer-Focused and Environmental Friendly  
 Cross-Functional and Global  
 Earnings and Profit Driven  
 Speed  
 Stretch

At this company, we strive to achieve sustainable reporting as proposed by GRI, and since 1999, Nissan's environmental and social performance has been detailed in the environmental version of our annual report. This year's report provides a description of the actions taken to realize a sustainable society characterized by mobility, to strive for thorough reinforcement of our social performance, and to add new compliance. Furthermore, in order that each and every one of our stakeholders may develop an appreciation for the Nissan approach, we have also published a digest version of this document and a supplementary report.

In addition to our environmental and social report, Nissan also publishes an annual report and fact files. As a company firmly focused on the realization of sustainable development, it is our sincere hope that this provision of information will allow Nissan's Triple Bottom Line, as characterized by the environment, society, and the economy, to be understood by all.

No specific method has been established for third-party review, and although we consider this to be lacking with regard to the assurance of our future aim of greater reliability in environmental reporting, no decision to implement such a procedure has yet been made. Nevertheless, we do recognize the importance of ensuring reliability through the objective verification and assurance of credibility, and it is our intention to cooperate with all stakeholders and other readers of this report in order to establish a suitable method.

Although published in FY 2003, this report deals with issues relating to FY 2002; accordingly, it has been given the title "Nissan Environmental and Social Report 2002."

## Corporate Overview (as of March 2003)

### Nissan Motor Co., Ltd.

Established: December 26th, 1933

Headquarters: 2, Takara-cho, Kanagawa-ku, Yokohama, Kanagawa, Japan 220-8623

Head Office: 6-17-1 Ginza, Chuo-ku, Tokyo, Japan 104-8023

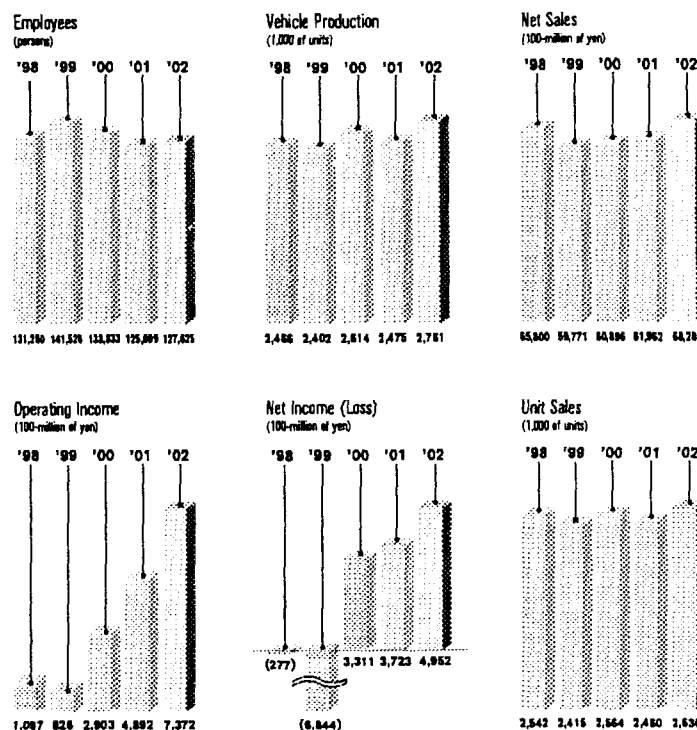
Telephone: (+81) 3-3543-5523

Paid-in Capital: 605.813-billion yen

Number of employees: 127,625 consolidated (31,128 unconsolidated)

Consolidated subsidiaries: 234

Business Field: Development, manufacturing, purchase, sales, leasing and service of automobiles, industrial vehicles and other transportation equipment, parts and other related materials.



## Scope of the Environmental and Social Report

The purpose of this report is to present information on Nissan's environmental and social performance to a large number of stakeholders including our customers. It is our intention that data relevant to factors beyond the scope of this report will also be organized and presented in the future.

Target year	FY 2002
Principal applicable period	April 2002 through March 2003 (Certain data from before and after this period is also included.)
Regional and geographical scope	This report covers the entire Nissan Group including overseas operations (i.e., Nissan and consolidated subsidiaries). In addition, plant-specific environment data is presented for domestic and overseas automobile or component manufacturers characterized by a particularly large indirect environmental effect by automobiles.
Scope of business operations	This report details the environmental protection and social performance as relevant to all product and business-related activities.
Scope of environmental effects	Focusing on environmental loads that are conceivable based on product and business-related activities, this report describes environmental effects throughout all stages of our products' lifecycles and on both local and global scales.

# Messages from Management

One guiding principle of Nissan's corporate vision is that our company is customer focused and environmentally friendly. Those two thoughts are closely aligned, complementary ideals. As a global car manufacturer, all of us at Nissan believe that as we produce attractive cars and trucks that will satisfy our customers' needs, we can do so in a manner that is friendly both to the earth we live on and to the people with whom we share it.

How do we honor the principle to be sensitive to our environment? Our efforts address the car's entire life cycle – from development to production, from sales and service to recycling.

Development activities give careful attention to items such as fuel consumption, emissions, noise, refrigerants, vehicle weight or recycling possibilities. Nissan is investing significantly in clean-energy technologies for the future, such as electrical and hybrid technologies, natural gas and fuel cells. For example, in March 2003, 85% of our passenger vehicles sold in Japan were certified as ultra-low emission vehicles. This pragmatic, forward-thinking technology provides a highly effective environmental solution that customers can afford today.

At Nissan, we take a proactive approach in all aspects of our operations. We are proud of the efforts we have made to demonstrate our environmental approach in our major manufacturing operations and our service facilities, through environmental management systems such as ISO14001 certification or the Nissan Green Shop. Our commitment to conserve resources and protect the environment is a priority we honor every day. Sound environmental policies are, and will continue to be, at the core of our business of designing, assembling and selling attractive and competitive Nissan vehicles.

"Enriching people's lives" – Nissan's vision – encompasses the symbiosis of people, vehicles and nature. As a responsible member of the world society, Nissan is determined to do its best to preserve and protect the global environment.

  
**Carlos Ghosn**  
President and Chief Executive Officer  
Nissan Motor Co., Ltd.



「お客様志向と環境志向」。これは、私たち日産自動車が、企業ビジョンを追求していく為に掲げた指針のひとつです。両者は非常に密接に関係しており、いずれも両立しなければならないものです。グローバルな自動車メーカーとして、私たち日産自動車は、世界中のお客様の御要望を満たしていかなければなりません。同時に、私たちが住む地球そのものとそれらを分かち合う全ての人々にとって優しい、魅力ある自動車づくりが求められます。私たち日産自動車は、それらが可能であると確信しています。

私たちは「お客さま志向と環境志向」という指針に基づき、クルマのライフサイクル全体、すなわち開発段階から生産、販売・サービス、リサイクルに至るまで、一貫した環境保全の取り組みを続けています。

商品開発段階においては、燃費及び排出ガス、車外騒音、環境負荷のより低い冷却剤への転換、車両重量軽減、リサイクル可能性など、様々な項目に配慮しています。電気自動車やハイブリッド車、天然ガス自動車、燃料電池車といった、将来に向けた様々なクリーンエネルギー車技術開発についても、積極的な投資を行っています。例えばその成果の一つとして、2003年3月に国内で販売された日産車の85%は超・低排出ガス車として認定されています。お客さまが手にしやすいこの先進的な技術は、非常に高い環境保全効果を発揮するものと考えております。

日産自動車は事業のあらゆる側面において積極的な環境保全の取り組みを進めております。私たちはこれまでにISO14001認証取得や日産グリーン・ショップ認定制度等による環境マネジメント・システムを通じて、主要生産拠点やサービス拠点における活動を実践してまいりました。資源の節約と環境の保護は、私たちの日常における最優先課題として位置付けています。魅力的な自動車を開発・生産し、販売するという私たちのビジネスにおいて、環境への取り組みは今後もますます重要な役割になると考えます。

日産自動車の企業ビジョン「人々の生活を豊かに」は、人とクルマ、そして自然との共生を意味しています。グローバル社会の責任ある一員として、日産は今後も世界環境の保護・保全にベストを尽す所存です。

**カルロス ゴーン**  
取締役社長 兼 最高経営責任者  
日産自動車株式会社

Nissan is committed to sustainability reporting, as promoted by the Global Reporting Initiative (GRI), and last year the company started publishing an annual Nissan Environmental & Social Report. This current report is for our activities in 2002.

Nissan is actively engaged in environmental protection activities in accordance with the Nissan Green Program 2005, a medium-term action plan published in January 2002. We are pleased to report that last year we made great strides with this program. Our most important success has been the fact that in January of this year over 80% of the gasoline-powered Nissan passenger cars sold in Japan qualified as U-LEV (ultra-low emission vehicles). It is very gratifying to see that both customers and markets approve of the environmental protection technologies we are developing; they are practical, highly effective, and can be widely adopted.

Another highlight of 2002 was the approval by the Japanese Minister of Land, Infrastructure and Transportation of Nissan's X-TRAIL FCV, which is powered by a fuel cell. The X-TRAIL FCV is also part of the Japan Hydrogen & Fuel Cell Demonstration Project (JHFC Project) under the Ministry of Economy, Trade and Industry.

In addition, we are making steady progress in the field of sustainable development. From 2001 we have been taking part in the World Business Council for Sustainable Development (WBCSD), and in 2002 we held the 1st Nissan Stakeholders' Dialog. Our business is to supply mobility, and at this event we were able to hear the opinions of stakeholders from sectors regarding the future direction that Nissan should take. We plan to continue this multi-stakeholder dialog so as to make further progress toward offering customers sustainable mobility.

Last year's Nissan Environmental & Social Report won the Award for Excellence in the 6th Environmental Report Awards, and also the Award for Merit in the 6th Green Reporting Award. It is very encouraging to see this level of recognition for openness in communications between a commercial enterprise and society. As was the case last year, this environmental report complies with the guidelines set forth by Japan's Ministry for the Environment. It represents just one part of our ongoing efforts to fulfill our civic responsibility by ensuring transparency and trustworthiness in the information we supply about Nissan and its activities.

Finally, in keeping with our policy of continuous improvement and aiming to enhance the quality and effectiveness of our future activities, Nissan welcomes your candid opinions, comments and impressions.

大久保 宣夫

**Nobuo Okubo**  
**Executive Vice President and**  
**Environmental Officer**  
**Nissan Motor Co., Ltd.**



本報告書は、2002年度における日産の環境の取り組みおよび社会との係わりについての実績を報告しています。当社ではGRIが提唱する持続可能性報告を目指し、昨年度より環境・社会報告書として発行しています。

当社は昨年1月に発表した中期環境行動計画「ニッサン・グリーンプログラム2005」に基づき環境保全活動に取り組んでいます。2002年度はこのプログラムの大きな成果があらわれた一年となりました。その中でも最大の成果は今年1月に当社が国内で販売するガソリン乗用車の80%以上を超一低排出ガス車としたことです。これは私たちが目指している広く普及できる、現実的で実効性の高い環境保全技術がお客さま、マーケットに受け入れられた証として大変喜ばしく思っています。燃料電池車X-TRAIL FCVは国土交通大臣認定を取得しました。X-TRAIL FCVは経済産業省の水素・燃料電池実証プロジェクトに参加しています。

さらに持続可能な発展に向けた取り組みも着実に進めています。一昨年より持続可能な発展のための経済人会議（WBCSD）に参画していますが、2002年度はこれに加え第1回日産ステークホルダー・ダイアログを開催いたしました。このダイアログではモビリティを提供する当社が今後進むべき方向性について、様々なセクターのステークホルダーからご意見をいただきました。今後も引き続きマルチステークホルダーとの対話を通じ、持続可能なモビリティの提供を進めていきたいと考えています。

昨年発行した環境・社会報告書は第6回環境レポート大賞優秀賞および第6回環境報告書賞優良賞をいただきました。社会への透明性が評価いただけたことを大変嬉しく思っています。昨年度版に引き続き本報告書も環境省の環境報告書ガイドラインに準拠し、アカウンタビリティとして情報開示の透明性・信頼性の確保に努めています。

最後に、今後の活動の質と実効性を高め、継続的改善を図っていくためにも、皆様から率直なご意見、ご指摘、ご感想等をお寄せいただきたく存じます。

大久保 宣夫  
副社長（環境担当役員）  
日産自動車株式会社

### Approach to Sustainable Development

At the World Summit on Sustainable Development held last August in Johannesburg, South Africa, businesses and companies were requested to play a more active role in all stages of environmental protection from conception through to execution. Nissan is now moving forward step by step towards the realization of sustainable development.

#### Participation in WBCSD Sustainable Mobility Project

According to the third assessment report of the Intergovernmental Panel on Climate Change (IPCC), an increase in the global temperature of up to 5.8°C is expected to occur by 2100 if no preventative action is taken.

The World Business Council for Sustainable Development (WBCSD) proposes action plans for sustainable development by the industry, and Nissan is participating in its Sustainable Mobility Project. In cooperation with British Petroleum, Daimler Chrysler, Ford Motor Company, General Motors, Honda, Michelin, Norsk Hydro, Royal Dutch Shell, Renault, Toyota Motor Corporation, and Volkswagen, we are debating strategies to ensure that the mobility will be sustainable in 2030 and maintained thereafter.

It is intended to publish the results of these activities in the Mobility 2030 report in December of this year.



World Business Council for  
Sustainable Development

**World Business Council for Sustainable Development**

#### Organization of the Nissan Stakeholders Dialogue

As increased focus is directed at corporate social responsibility, there is greater need for management practices with higher levels of transparency and accountability.

In February of this year, we brought together key Japanese figures in environmental fields and held the First Nissan Stakeholder Dialogue. We received praise from our esteemed participants regarding the organization of this gathering, and our faithful stance got across to them. However, it was also made clear that much is being expected to Nissan as a future leader in the associated fields.

We are now giving serious consideration to all of the opinions and recommendations received at the dialogue and are implementing this wisdom in efforts to achieve Nissan's vision of *Enriching people's lives*. Furthermore, these opinions and recommendations have also allowed us to discuss the way in which Nissan is expected by both ourselves and others to be sustainable in the future.

#### First Nissan Stakeholders Dialogue

Date	February 12th and 13th, 2003
Location	FORUM 246 (Atsugi City, Kanagawa Prefecture)
Participants	Twenty experts in environmental fields from media organizations, NPOs, governmental authorities, universities and research bodies, companies, and consumers' groups, in addition to Nissan directors and employees.
Theme	Corporate Environmental Management in 2010 aiming at sustainable society in 2030.
Format	Overall and group discussions



Introductory address from Executive Vice President, Mr. Nobuo Okubo

# 1 | Environmental Management

## 1 Nissan's Environmental Philosophy and Policies

Under Nissan's vision & mission, we have set the following environmental philosophy and environmental policy toward realizing its "Customer-Focused and Environmental Friendly" guideline.

Nissan's mission in society is to foster the attainment of sustainable development and the formation of the recycling-based society and economy by pursuing business based on these philosophies.

### Nissan's Environmental Philosophy

#### Symbiosis of people, vehicles and nature

It is our view that the basis of environmental protection lies in the human capacity to show kindness and concern. Along with striving to understand the environment better, all of us at Nissan bring a shared concern for people, society, nature and the Earth to bear on our activities. This commitment and concern are embodied in every Nissan product and throughout all of the company's operations as the driving forces of Nissan's ongoing contributions to the advancement and enrichment of society.

##### Action Policy

1. To promote creative activities
2. To advance comprehensive activities
3. To foster cooperative activities

### Environmental Policy

Nissan is taking the initiative to promote wide-ranging activities aimed at improving the environment both globally and locally in line with the guidelines noted here. These efforts are being pursued in all areas of the company's operations, including product development, manufacturing, sales and service, in order to make Nissan's Environmental Philosophy a reality.

#### 1. Achieving a cleaner automotive society

Nissan aims to reduce the environmental impact at every stage of the vehicle life cycle, namely product development, manufacturing, use and disposal, in order to create a cleaner living environment. Besides working to improve vehicles themselves, Nissan also contributes to the improvement of social systems involving vehicle use.

#### 2. Conserving natural resources and energy

Because the earth's natural resources and energy supplies are finite, Nissan is advancing efforts to minimize their consumption at every stage of the vehicle life cycle.

#### 3. Expanding and continuously improving Nissan's environmental management system

Nissan is implementing an in-house environmental management system that conforms to the environmental management system standard formulated by the International Organization for Standardization (ISO).

(1) Preventing environmental issues in the first place and observing laws and regulations

● Observing laws and regulations is the first step toward environmental protection. Nissan's environmental measures go far beyond simple compliance with legal and regulatory requirements to address the actual environmental circumstances of the local area.

● Prior environmental impact assessments are conducted when mapping out new plans for product development projects or manufacturing processes. In this way, every effort is made to prevent environmental issues in the first place.

(2) Cultivating a corporate culture dedicated to environmental protection

● Extensive educational activities are conducted in-house with the aim of cultivating a corporate culture in which everyone from senior management on down is positively committed to the resolution of environmental concerns.

(3) Undertaking cooperative activities with subsidiaries and affiliates

● Nissan works closely with its subsidiaries and affiliates at home and abroad on ways to address environmental issues.

(4) Strengthening communications and cooperation with customers

● The cooperation of customers is indispensable to environmental protection at the stage where Nissan products are used. In line with this understanding, Nissan provides information and undertakes educational activities as part of its efforts to work closely with customers on protecting the environment.

#### 4. Issuing reports on environmental activities

Nissan regularly issues announcements and publications explaining the company's efforts to address environmental concerns.

## Assessment of the Environmental Impacts of Vehicles and Business Activities

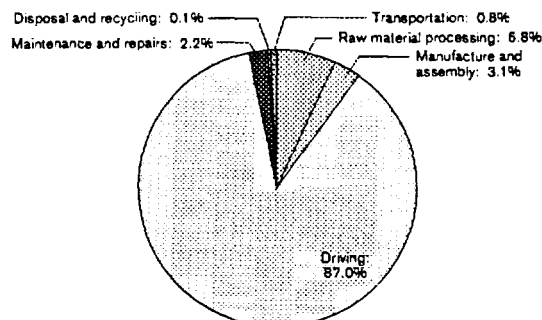
It is of considerable importance in terms of the advancement of environmental measures to fully understand the way in which the environment is affected by automobiles and by business activities.

It is also crucial that we recognize how automobile-related environmental issues have expanded into a much wider range than that associated simply with fuel efficiency and exhaust gas issues. Furthermore, an appreciation of the fact that these effects now extend as far as all stages of an automobile's lifecycle is also demanded.

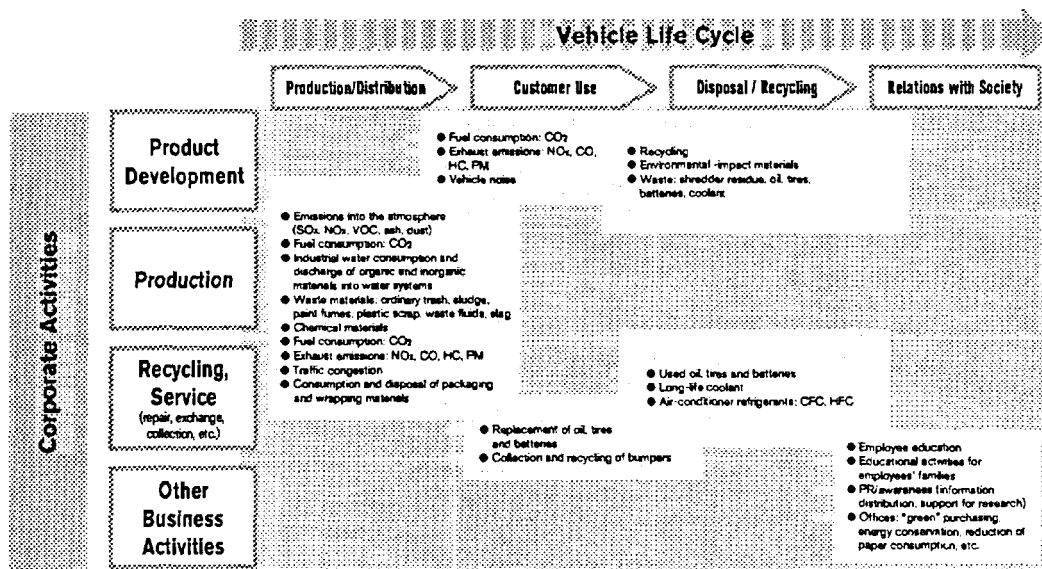
### Environmental Impacts Through the Vehicle Life Cycle

If we consider CO<sub>2</sub> emission levels, for example, it can be seen that emission during usage of an automobile (i.e., during driving) accounts for approximately 90% of that over its entire service life. It is, therefore, important to carry out product design with the environment in mind in order that environmental loads corresponding to the usage stage may be reduced. In light of this understanding, we have identified the effect that automobiles and business activities exert on the environment, and by specifying a priority sequence with regard to the corresponding environmental factors that can be managed by Nissan, we are now capable of implementing continuous countermeasures in an independent manner. In addition, we are also promoting the introduction of life cycle assessment (LCA) and carrying out quantitative analysis and evaluation of the environmental effect of automobiles.

### CO<sub>2</sub> Emission in the Vehicle Life Cycle



\*Results of internally conducted LCA examination (1,500-cc passenger vehicle)



## Environmental Management System

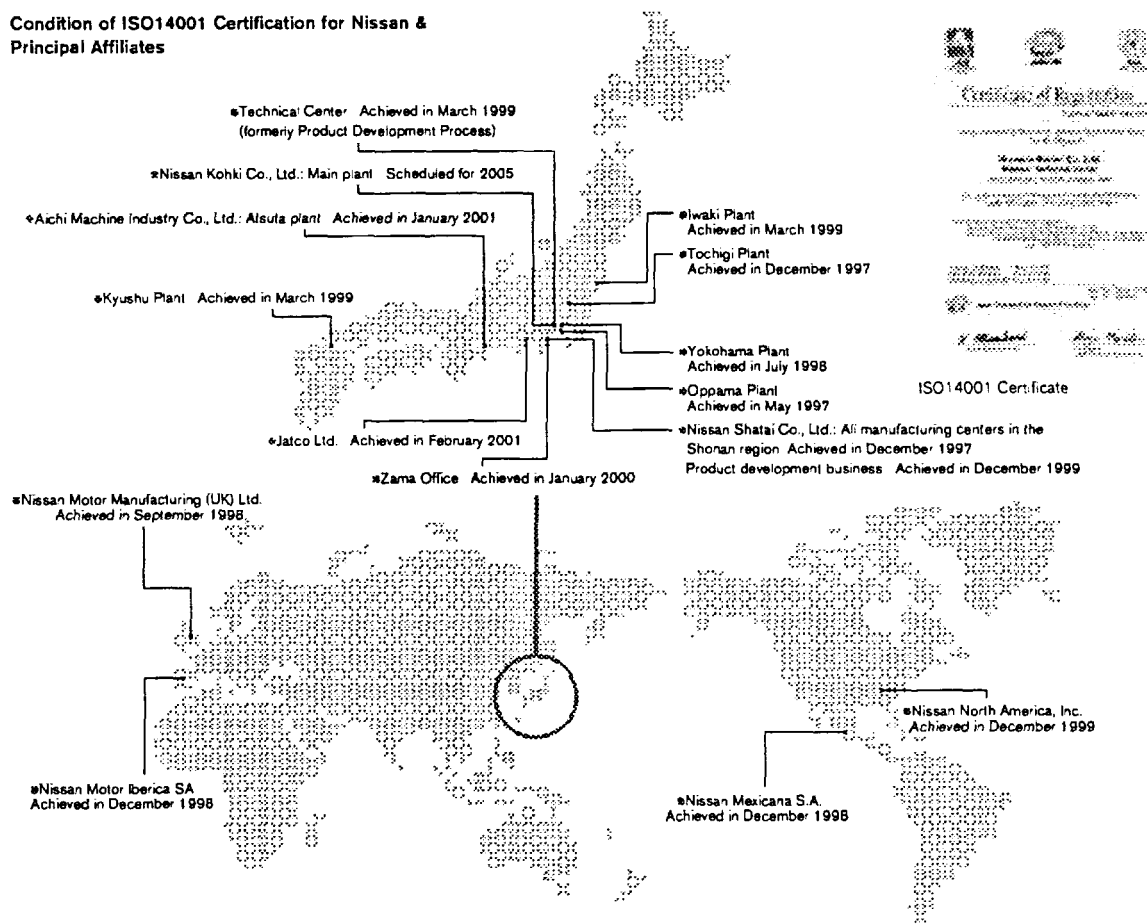
By providing people with freedom of movement and a wide range of other conveniences, the automobile experienced remarkable expansion and development in the 20th century, and it is now an indispensable element of civilized society. Nevertheless, it cannot be ignored that the automobile also contributes to global warming and other environmental damage. In addition to further boosting the convenience of the automobile, we have considered how Nissan may — in the capacity of an automobile manufacturer — make worthwhile contributions in terms of the full range of company activities dealing with environmental issues, and as a result, we are now promoting environmental improvement activities that target the realization of a sustainable society.

We have established company-wide policies and targets based on appreciation of the environment in terms of the Nissan Green Program — a mid-term environmental action plan encompassing product development, manufacturing, sales, servicing, and all other spheres of company activity — and we are currently involved in promoting its implementation. Furthermore, in order to increase the levels of transparency and equality associated with these activities, every effort is being made in obtaining ISO14001 certification — the global standard for environmental management systems.

Although ISO14001 certification for the product development process was achieved in fiscal 1998, the decision was taken to extend the certification range to all business activities in FY 2002, and this expanded ISO14001 certification for all consolidated activities has already been achieved in terms of the Technical Center — our global center for product development. (Accordingly, the registered certification name was changed from "Product Development Process" to "Technical Center.")

ISO14001 certification has also been achieved by affiliated companies; furthermore, the Nissan Green Shop Certification System has been established based on ISO14001 as an independent environmental certification system more in line with the day to day business of dealers, and this has now been fully implemented in all of our dealerships within Japan. Through these activities, it has been possible to reinforce the continuing efforts within the Nissan Group aimed at improvement of the environment.

### Condition of ISO14001 Certification for Nissan & Principal Affiliates





## 4 Environmental Management Program

Implemented as a means of achieving this company's environmental concept —namely, co-existence of man, the automobile, and the environment—the Nissan Green Program promotes activities not only in development and manufacturing departments associated with the production of automobiles, but also in sales, servicing, and all other departments company-wide. In specific terms, this program ensures that environmental action plans are formulated, that targets and aims relating to business activities and associated indirectly with the environment are set for mid-term, long-term, and yearly periods, and that every possible effort is made to achieve sustainable improvement.



### The Nissan Green Program: an ongoing program for the future.

The program mark symbolizes Nissan's hopes for more green on the Earth.

#### 1. Mid-Term Environmental Action Plan (Nissan Green Program 2005)

Area	Item	Objectives and Activities
Product development	Improvement of fuel economy (curbing global warming)	Early attainment of Japan's 2010 fuel economy standards for gasoline vehicles and 2005 standards for diesel vehicles Objective: Attainment of the new standards by a target date of 2005
	Reduction of exhaust emissions	Gasoline vehicles: Steady expansion of Nissan's ultra-low emission vehicle (U-LEV) lineup that starting from the Bluebird Syphy launched in 2000 Objective: Achieve U-LEV certification for more than 80% of all Diesel vehicles: Early release of vehicles complying with the latest exhaust emission regulations
	Development of clean-energy vehicles	Fuel cell vehicles (FCVs) Projecting the year 2005 as our technical development goal for practical use. Participation in domestic testing program for FCVs under the auspices of the Japanese government in 2002 Other CEVs Research, development and marked introduction of EVs, CNGVs (compressed natural gas vehicles), HEVs (hybrid electric vehicles) and other CEVs
	Promotion of design for recycling and management	Advancing the recycling of new models Attainment of a recoverability rate of 95% or higher* by weight for new models by 2005 (*based on Nissan's in-house calculation standards)
	Reduction of environment-impacting substances	Reduction of environment-impacting substances Banning the use of mercury and cadmium with some partial exceptions Reducing the use of lead (to be largely phased out by the end of 2002) and hexavalent chromium (to be reduced to one-half of 1996's level by 2005)
	Reduction of vehicle noise	Compliance by all models with in-house vehicle noise targets that are tougher than regulatory noise limits.
Manufacturing	Control of air-conditioner refrigerant emissions	Attainment of Nissan's self-initiated targets for reduced use of the HFC-143a refrigerant promotion of efforts
	Promotion of energy savings (curbing global warming)	Reduction of total CO <sub>2</sub> emissions by more than 10% from FY 1999's level by FY 2005
	Reduction of waste and promotion of recycling	All plants eliminated direct landfill disposal of waste by FY 2001 Reduction of amount of waste incinerated by more than 50% from FY 1999's level by FY 2005 (All plants initiated a zero-emission program during FY 2001.)
	Improved management of chemical substances	Installation in FY 2002 of a model paint line that reduces volatile organic compounds (VOC) emissions to 20g/m <sup>2</sup> and promotion of efforts to reduce substances subject to the Pollution Release and Transfer Register (PRTL) system
Sales and service	Environmental protection in logistics operations	Reduction of total CO <sub>2</sub> emissions by more than 10% from FY 1999's level by FY 2005
	Environmental management at dealers	Thorough Dealer Certification System named "Nissan Green Shop", implementation and improvement of the Environmental Management Establish the system of implementation of appropriate treatment of ELVs at domestic dealers (end-of-life vehicles) Improvement of dealers' ability to cope with coming Japan's vehicle recycling law (execution of responsibility for taking back ELVs)
Recycling	Promotion of appropriate treatment and recycling of ELVs	Efficient preparation for coming Japan's vehicle recycling law Development and deployment of new technologies for appropriate treatment of ELVs Design for recycling Continued expansion of the Nissan Green Parts program
Environmental management	Environmental Management System	Implementation, operation and improvement of EMS in line with ISO14001 (ongoing activity) Construction of a global EMS encompassing major consolidated subsidiaries Prevention of environmental issues and improvement of risk management
	Environmental Communication	Issuing of an annual environmental report and improving of the content Continued release of environmental communications whenever appropriate Participation in and organization of environment-related lectures and exhibitions Issuing and improvement of environmental communications to local communities
	Green Procurement	Thorough management of environment-impacting substances and requests to suppliers to acquire ISO14001 certification by March 2005
	Employee education and training	Continued implementation and improvement of Nissan's employee education system and regular educational efforts through in-house publications and other activities
	Environmental protection in Nissan offices (Green Office Program)	Reduction of paper consumption, reuse of resources and promotion of energy savings Examining and promoting ways of reducing emissions from company-owned vehicles

## 2. Progress Results on FY 2001 Environmental Action Plan

### (1) Product development

Item	Objectives and Activities up to 2005	Main results in FY 2002	See page
Improvement of fuel economy (curbing global warming)	<p>Early attainment of Japan's 2010 fuel economy standards for gasoline vehicles and 2005 standards for diesel vehicles</p> <p>Objective Attainment of the new standards by target date of 2005.</p>	<p>Normal and compact gasoline passenger vehicles: March, Wingroad, Cube, Sunny, Bluebird Sylphy, Avenir, Tino, Primera, Skyline, Stagea, Cedric, Gloria, Presage, Liberty, Serena, Teana, Bassara, Elgrand, and Cima</p> <p>Normal and compact gasoline cargo vehicles: AD Van, Expert, and Datsun</p> <p>Normal and compact diesel passenger vehicles: Sunny, Crew, Cedric, Terrano Reglus, Elgrand, and Safari</p> <p>Normal and compact diesel cargo vehicles: AD Van and Expert</p>	20
Reduction of exhaust emissions	<p>Gasoline vehicles: Steady expansion of Nissan's ultra-low emission vehicle (U-LEV) lineup that starting from the Bluebird Sylphy launched in 2000</p> <p>Objective: Achieve U-LEV certification for more than 80% of all Nissan passenger Vehicles sold in Japan by end-March 2003</p> <p>Diesel vehicles: Early release of vehicles complying with the latest exhaust emission regulations</p>	<p>U-LEV successfully expanded to more than 80% of all gasoline passenger vehicles.</p> <p>U-LEVs expanded in 2002: Moco, Sunny, Elgrand, 300 ZX, Avenir, Expert, AD Van, Liberty, Cube, Tino, Wingroad, Skyline Coupe, and Teana</p>	18
Development of clean-energy vehicles	<p>Fuel cell vehicles (FCVs) Projecting the year 2005 as our technical development goal for practical use.</p> <p>Participation in domestic testing program for FCVs under the auspices of the Japanese government in 2002</p> <p>Other CEVs Research, development and market introduction of EVs, CNGVs (compressed natural gas vehicles), HEVs (hybrid electric vehicles) and other CEVs</p>	<p>X-TRAIL FCV: Certification granted by the Minister of Land, Infrastructure, and Transportation.</p> <p>Participation in the Japan Hydrogen &amp; Fuel Cell Demonstration Project (JHFC Project) under the auspices of the Ministry of Economy, Trade and Industry</p> <p>Sales of 1,000 AD Van CNGVs achieved in Japan.</p>	22
Promotion of design for recycling and management/Reduction of environment-impacting substances	<p>Advancing the recycling of new models</p> <p>Attainment of a recoverability rate of 95% or higher* by weight for new models by 2005 (*based on Nissan's in-house calculation standards)</p> <p>Reduction of environment-impacting substances</p> <p>Banning the use of mercury and cadmium with some partial exceptions</p> <p>Reducing the use of lead (to be largely phased out by the end of 2002) and hexavalent chromium (to be reduced to one-half of 1996's level by 2005)</p>	<p>Vehicles for which 95% recyclability has been achieved: March and Cube</p> <p>Reduced-usage materials: Lead — Reduction to less than 1/3rd from 1996 levels achieved for all new models.</p>	34
Reduction of vehicle noise	<p>Compliance by all models with in-house vehicle noise targets that are tougher than regulatory noise limits.</p>	<p>Voluntary standard values (acceleration running noise: 75 dB(A))</p> <p>Passenger vehicles: Achieved for all models</p> <p>Commercial vehicles: Achieved for all models</p>	24
Control of air-conditioner refrigerant emissions	<p>Attainment of Nissan's self-initiated targets for reduced use of the HFC-143a refrigerant</p>	<p>Independent targets achieved for 22 models.</p>	24

**(2) Manufacturing**

Item	Objectives and Activities up to 2005	Main Results in FY 2002	See page
Promotion of energy savings (curbing global warming)	Reduction of total CO <sub>2</sub> emissions by more than 10% from FY 1999's level by FY 2005	CO <sub>2</sub> emission levels reduced by 11% from 1999 levels. (Target achieved with increase in manufacturing volume also included.)	26
Reduction of waste and promotion of recycling	All plants eliminated direct landfill disposal of waste by FY 2001. Reduction of amount of waste incinerated by more than 50% from FY 1999's level by FY 2005. (All plants initiated a zero-emission program during FY 2001.)	Zero direct land-filling achieved. Waste-material incineration volumes reduced by 44% from 1999 levels.	27
Improved management of chemical substances	Installation in FY 2002 of a model paint line that reduces volatile organic compounds (VOC) emissions to 20 g/m <sup>2</sup> and promotion of efforts to reduce substances subject to the Pollution Release and Transfer Register (PRTR) system.	Establishment of the model line has been completed and 20 g/m <sup>2</sup> has been achieved.	28
Environmental protection in logistics operations	Reduction of total CO <sub>2</sub> emissions by more than 10% from FY 1999's level by FY 2005	CO <sub>2</sub> emission levels reduced by 8.6% from 1999 levels.	30

**(3) Sales and Service**

Item	Objectives and Activities up to 2005	Main Results in FY 2002	See page
Environmental management at dealers	Thorough Dealer Certification System named Nissan "Green Shop", implementation and improvement of the Environmental Management. Establish the system of implementation of appropriate treatment of ELVs at domestic dealers (end-of-life vehicles). Improvement of dealers' ability to cope with coming Japan's vehicle recycling law (execution of responsibility for taking back ELVs).	Surveillance completed at all dealerships (i.e. 226 in total).	31

**(4) Recycling**

Item	Objectives and Activities up to 2005	Main Results in FY 2002	See page
Promotion of appropriate treatment and recycling of ELVs	Efficient preparation for coming Japan's vehicle recycling law. Development and deployment of new technologies for appropriate treatment of ELVs. Design for recycling. Continued expansion of the Nissan Green Parts program.	Joint development of the recycling simulation system OPERA with Renault. Suppliers to reduce the usage of materials with an environmental impact substances and to report the current state of activities.	33

**(5) Environmental Management**

Item	Objectives and Activities up to 2005	Main Results in FY 2002	See page
Environmental Management System	Implementation, operation and improvement of EMS in line with ISO14001 (ongoing activity). Construction of a global EMS encompassing major consolidated subsidiaries. Prevention of environmental issues and improvement of risk management.	Operation and sustainable improvement of ISO14001 achieved at all manufacturing centers. Review carried out with regard to equipment improvement, maintenance management, and reinforcement management.	9
Environmental Communication	Issuing of an annual environmental report and improving of the content. Continued release of environmental communications whenever appropriate. Participation in and organization of environment-related lectures and exhibitions. Issuing and improvement of environmental communications to local communities.	Issuance of an environmental and social report in March 2003. Awarded for Excellence at the 5th Environmental Report Award. Awarded for Merit at the 6th Green Reporting Award. Participation in a range of fuel-cell vehicle exhibitions and test-ride events. Provided support for environmental questionnaires and data collection.	16
Green Procurement	Thorough management of environment-impacting substances and requests to suppliers to acquire ISO14001 certification by March 2005.	Successful acquisition of ISO14001 certification by 79% of suppliers.	39
Employee education and training	Continued implementation and improvement of Nissan's employee education system and regular educational efforts through in-house publications and other activities.	Successful implementation of an in-company education curriculum. Sustainable promotion of awareness achieved through the Nissan News — an in-house publication.	15
Environmental protection in Nissan offices (Green Office Program)	Reduction of paper consumption, reuse of resources and promotion of energy savings. Examining and promoting ways of reducing emissions from company-owned vehicles.	Introduction of low-emission vehicles in the capacity of company cars.	41

## 5 Environmental Accounting

Since its introduction in 1998, environmental accounting has been continually implemented as a means of enabling wide-scale disclosure of environmental accounting information and enhancing the understanding of the company's environmental protection activities; furthermore, this practice is also intended to support efficient execution of environment-related R&D and other measures. Environmental accounting for FY 2002 was carried out based on the guidelines set forth in the Ministry of the Environment's Environmental Accounting Guidebook (2002 edition).

### 1. Environmental Preservation Cost

Preservation of the environment generates direct and indirect expenses associated with reduction of the environmental impacts caused by business activities, and the total cost of environmental protection during FY 2002 was 126.62-billion yen. This figure was calculated based on the costs of various activities in each category, and calculation focused on primary factors for environmental preservation; in addition, consideration was also given to secondary and tertiary aims.

This total represents an increase of just over 30% with respect to the previous year's figure, and an increase was also seen in the R&D costs that make up a considerable portion of the overall figure. The main cause of these increases resides in the large amount of investment made in advanced development projects for future technologies, and the development of fuel-cell vehicles is a typical example of one such project. In addition, the cost of environmental-related measures also increased for overall automobile development. In terms of manufacturing, Nissan invested 700-million yen in the improvement of water processing capabilities in order that water pollution may be prevented, and a further 400-million yen was invested with the aim of conserving energy.

In addition, other related costs included expenditure for environmental advertising that used the lineup of ultra-low emission vehicles (U-LEVs) successively market launched since last year.

#### Breakdown of Environmental Preservation Costs for FY 2002

General classification	Category	Contents	Amount (100-million yen)
Environmental management	Management activity costs	ISO14001 certification, environmental management, education, environmental advertising, etc.	32.6
	Social activity costs	Green countermeasures, environmental activity support, etc.	2.8
Research and development	R&D costs	Costs of research and development into the reduction of environmental impact of automobiles	956.2
Manufacturing	Business area costs		Breakdown
	Prevention of pollution	Prevention of air, water, and soil pollution.	48.0
	Global environmental costs	Energy conservation, prevention of global warming, environmental protection, etc.	39.9
	Resource circulation costs	Effective use of resources, reduction of waste materials and water, reuse, etc.	36.2
			Subtotal
Recycling	Upstream/downstream costs	Recycling technologies, recovery, and processing of automobiles and components	1.5
Other activities	Environmental restoration costs	Elimination of soil pollution, allocation funds for injury	9.0
<b>Total</b>			<b>1,126.2</b>

#### Effect of Cost Reduction for Environmental Protection Countermeasures (100-million yen)

Cost reduction due to energy conservation	18.0
Reduction of waste processing costs	0.34
Reduction of wastewater processing costs	-0.02
<b>Total</b>	<b>18.3</b>

#### Amount of Environmental Impact Substances Reduced

CO <sub>2</sub>	(ton-CO <sub>2</sub> )	-28,521
Disposed waste material processing	(ton)	7,535
Disposed waste water processing	(1,000 m <sup>3</sup> )	541

### 2. Benefits of Environmental Preservation

Direct and indirect benefits are brought about by investment and expenditure for the purpose of environmental preservation. The benefit generated in 2002 was calculated with respect to the corresponding figure for 2001, and based on reduced costs associated with energy conservation, waste material processing, and waste water processing, this benefit was found to be 1.83 billion yen. Furthermore, a reduction in the volume of the principal environmental load materials associated with the manufacturing process was also recorded.

### 3. Future Activities

At Nissan, we intend to continue in our environmental protection efforts, aiming to develop deeper understanding of the actual state of activities individually.

Environmental and economic activities must both be realized in a mutually compatible feature in order that we may achieve sustainable development; furthermore, the beneficial quantification of benefits is also crucial in terms of the comparative evaluation of costs. Accordingly, it is our intention to realize environmental accounting that is fully integrated into the heart of company activities and deeply intertwined with management, financial accounting, and all other types of Nissan promotional measures. We will endeavor to ensure that our introduction of critical management resources for the assurance of sustainable development will serve as a guide to others.

#### Calculation Details:

- The calculation period is from April 1st, 2002 until March 31st, 2003.
- Although personal expenses were previously calculated as management activity costs, calculation is not now carried out for each classification in accordance with the 2002 Ministry of the Environment Guidelines.
- In terms of research and development, those costs related to the reduction of environmental impact were calculated; however, costs that could not be separated were multiplied by a proportional division ratio before being summed.
- Water disposal costs increased by 8.8% as a result of investments aimed at the reduction of environmental risk. (502.91-million yen → 547.022-million yen)
- The results of the reduction of costs associated with environmental protection countermeasures and volume reductions for environmental load materials were determined based on Nissan Motor calculations. The differences between FY 2001 and FY 2002 are shown, and these figures were calculated with respect to the previous year's figures using the per-production volume and cost.
- The total CO<sub>2</sub> emission volume rose by 4.1% with respect to the previous year's level as a result of increased manufacturing loads; however, in terms of both manufacturing-price and manufacturing-volume units, emission levels fell. (Manufacturing-price units: 45 tons of CO<sub>2</sub> / 100-million yen → 41.17 tons of CO<sub>2</sub> / 100-million yen — Reduction) (Manufacturing-volume units: 0.767 tons of CO<sub>2</sub> / automobile → 0.692 tons of CO<sub>2</sub> / automobile — Reduction)

## 6 Environmental Risk Management

In terms of regulations and laws dealing with the environment, each department and division has its own system to manage. Furthermore, we have bound ourselves to strictly observe not only Japanese law, but also all regulations enforced by regional government and the rules of industrial associations of which Nissan is a member. This company has also established a system for the collection of data on a global scale, and by determining future trends and confirming the most up-to-date information using this system, we can take immediate action to respond to new applications.

### Emergency Measures

In order to provide full and reliable protection against regional or global scale environmental problems resulting from accidents in manufacturing processes or the like, we have implemented a wide range of programs such as advance countermeasures at potential accident sites and thorough education using emergency manuals. In 2002, we initiated simulation-based training for accidents indirectly affecting the environment, for oil spills, and for other similar situations at centralized processing plants for industrial waste; furthermore, measures to respond to precipitation-related emergencies have also been reinforced. We will continue to promote these activities in the future as a means of preventing the occurrence of environmental problems.

### Environmental Accidents

At the Iwaki Plant in 2002, there was a single incident where plant waste water failed to comply with the legal limits for pH and COD. (Specifically, the legally permitted range for pH is 5.8 to 8.6, and the recorded value was 4.9; the maximum permitted value for COD is 16, the recorded value, 39.) The cause of this problem was determined to be a combination of factors relating to mistakes in the operation of

equipment and to equipment malfunction. Immediately after the event, we implemented prompt and appropriate action in cooperation with the relevant local authorities, and in doing so, prevented direct damage from occurring outside the company. Furthermore, waste-water processing facilities were reviewed on a company-wide level in order to prevent the occurrence of similar incidents in the future, and we also enhanced management capabilities with respect to personnel, property, and facilities.

No product recalls associated with environmental issues occurred over the year in question, and in terms of environment-related law suits, a single case dealing with automobile exhaust gas is currently being heard.

### Environmental Survey

In order to prevent soil and groundwater pollution, environmental studies are being carried out at each plant and business center, and any required countermeasures are executed using the results thereof. Details of these countermeasures are presented later in this report. In addition, the results obtained from environmental studies and investigations at the old sites of the former Murayama Plant and Kurihama Plant are regularly used in PR materials.

## 7 Environmental Education

In addition to providing the necessary education to environmental officers and relevant persons, courses and the like are implemented whenever required in order that all staff members may be educated accordingly. Furthermore, information made available via company newsletters; in-company events reported in monthly publications dealing with the environment, 3R promotion, and energy conservation; and support for independent activities allow us to deepening the awareness of our employees and their families with regard to environmental protection issues. In addition to continuing this approach in the future, we at Nissan will endeavor to realize a higher level of environmental-related education.

### Educating Employees through Our Company

An environment-related page entitled Nissan Green Program 2005 has been added to the Nissan News, and through this media, environmental information is delivered to all employees of this and affiliated companies.

Providing the most up-to-date environmental information in this way allows us to emphasize the importance of global environmental issues; furthermore, it also gives us an opportunity to hear how our customers feel about Nissan's environmental protection activities, thus assisting in the development of our own understanding of environmental issues from a wide range of different social viewpoints.



Release	Details
April	Holding of the Nissan Environment Meeting. Promise to tackle environmental issues in an continuous fashion.
May	I Love, We Love, U-LEV.
June	Completion of Nissan Green Shop certification for all dealerships.
July/August	Adoption of water-based paints for automobiles. Release of the 2001 Site Report.
September	Awarded by the Kanto Bureau of Economy, Trade, and Industry for a 10-million yen yearly reduction in power consumption.
October	Nissan's CVT is Global No. 1 — Invitation to help prevent global warming
November	Nissan Green Parts, evermore recyclable components
December	The challenge for zero emissions
January/February	Special environmental report: The X-Trail FCV in your town
March	Achievement of 80% for U-LEV... 2 months early!

### Project Formed in Environmental Month

In addition to in-company broadcasting, the distribution of flyers, the use of posters, and other similar activities, a wide range of events are held in order to increase our employees' levels of awareness. Over the last year, study groups for managers and general employees were setup at plant waste-water treatment facilities, in-company industrial waste processing centers, and recycling plants; furthermore, various different courses dealing with issues such as environmental management conditions at zero-emission plants and recent legal trends have been held for pollution prevention managers, engineers, managers, and affiliated company employees. In addition, over 200 employees also took part in seminars, workshops, exhibitions, and other events organized by regional authorities



Emergency response training for oil discharge accidents

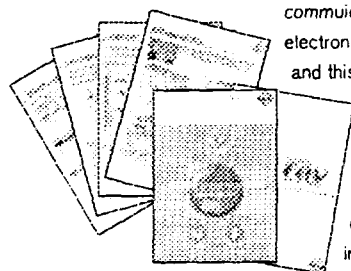
## 8 | Environmental Communication

At Nissan, we continue to accelerate our environmental communication activities in cooperation with our customers and all other stakeholders. The opinions and suggestions that we have received through our Customer Desk and via the questionnaire at the end of the Environmental and Social Report are enthusiastically used in the enhancement of environmental protection activities. In order that we may receive a higher level of such feedback in FY 2003, we plan to realize an elevated level of two-way communication.

### Disclosing Information

Every year since 1998, Nissan has published an environmental report. Last year's report — of which 15,000 copies were released (13,000 in Japanese; 2,000 in English) — was awarded for Excellence at the 6th Environmental Report Award organized by Global Environmental Forum, and was awarded for Merit at the 6th Green Reporting Award as organized jointly by Toyo Keizai Incorporated and Green Reporting Forum. In each of these cases, the report was praised for the way in which it organized and clearly presented both Nissan's principles and approach, and also the effect of business activities and the automobile on our environment.

Moreover, we have made available a wide range of environmental communication tools through paper and electronic media such as the Internet, and this has also allowed us to respond suitably to questionnaires and other survey materials from the government of Japan, private companies, and educational institutions.



Communication Tools

### Activities for Educating Customers on the Environment

In order that our customers could understand Nissan's approach to environmental preservation, we distribute a wide range of environment-related pamphlets, PR materials, and videos, as well as the catalog for each specific automobile model introducing the environmental performance relevant to that particular model. Outside the company also, we participate in awareness promoting activities through our contribution to lecture courses and specialist journals. Furthermore, in accordance with the introduction of general study time to elementary schools all over Japan in 2002,



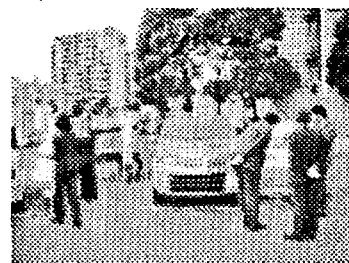
Special electric car lesson (at an elementary school in Tokyo's Minato ward)

Nissan will continue cooperating with these schools in the trial implementation of special electric car (Hypermini) lessons.

### Exhibitions and Test-Ride Events

Nissan has energetically organized and participated in exhibitions and test-ride events for the fuel cell vehicle (or FCV) — a vehicle hoped by many to become the ultimate eco-car. (Page 59 for more details.) In addition, similar exhibitions and test-ride events are held daily at dealerships nationwide for the ultra-low emission vehicle (or U-LEV), which represents an eco-car suited to practical applications.

Continuing in 2003, we intend to further enhance our level of activity with regard to this type of environmental-related action.



Nagoya International Exhibition — a gathering dealing with transportation and the environment

### Involvement with Regional Society

We have undertaken a diverse range of activities with the aim of realizing efficient communication with people living near Nissan plants and business centers — for example, we have held open day events at our plants, cleaned up commuting routes, participated in visits to environmental facilities by local residents' associations, and supported the Kanagawa Prefecture Environmental Campaign. Furthermore, Nissan has also established an environmental-facility observation course at the Oppama Plant, and a total of 60 persons in six different groups visited in 2002.

### TOPICS Stakeholder Meeting for Environmental and Social Reports

With Mr. Hideo Kawakita (Chief Executive Officer of IHOE, the International Institute for Human, Organizations and Earth) and Mr. Masayuki Aoki (planner at Workshop Mu Ltd.) as coordinators, Nissan and Sompō Japan Insurance Incorporated have cooperated in the establishment of a workshop for the reading of environmental and social reports, for posing of relevant questions, and for interacting with the publishers. With environmental and social reports created by Nissan and Sompō Japan as subject matter, a total of 53 participants engaged in lively discussions regarding the environmental and social activities. In terms of the environmental report, we were informed by certain participants that because of the fine print used for characters and numbers, it became difficult to comprehend the information presented, and also that although individual approaches were presented in detail, the overall image could not easily be visualized. A number of questions were posed with regard to social information — for example, one participant wanted to know more about employees' levels of comprehension and awareness in terms of activities benefiting the community. We place a high level of value on the opinions forwarded at this workshop, and this wisdom will be used reports for further improvements in our report to be published after 2003.

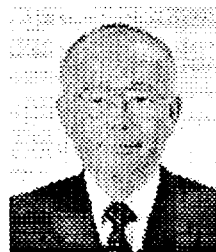


Stakeholder Meeting for environmental and social reports

## 2 | Environmental Performance

## 1 Product Development

In order that we can achieve a cleaner automotive society, we are promoting both the ongoing development of environmental technologies in our products, and the use of efficient, optimized product development in achieving a reduction in the environmental impact of all our business activities. In addition, we are contributing towards the realization of a sustainable and recycling-based society.



**Hiroyasu Kan**  
Senior Vice President, Technical  
Center Environmental Management  
Sub-Administrator, Director in Charge  
of Environmental and Safety  
Engineering Dept.

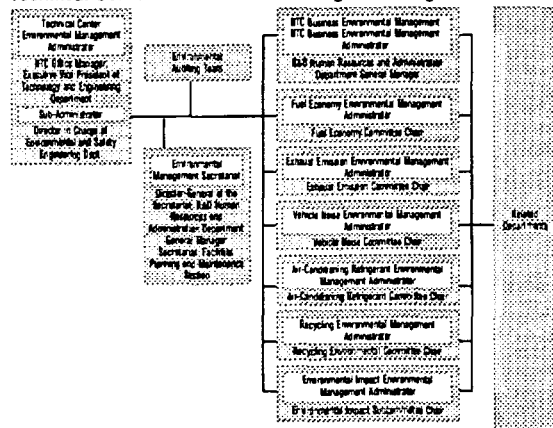
## 1. Environmental Management in Product Development

**Environmental Management Organization for the Technical Center**

Overall Technical Center Environmental Management is the responsibility of the Executive Vice President of the Technology and Engineering Department, who promotes comprehensive environmental improvement activities covering both products and business activities.

First of all, in order to reduce the impact of products that may impose a high impact on the environment, Nissan has a departmental structure overseen by the product environment committee that specifies important environmental measures, based on six environmental impact evaluation categories. These are fuel consumption (CO<sub>2</sub>), emissions gas, external noise, air conditioner refrigerant, environmental impact substances, and recycling. Each Environmental Management Administrator determines and promotes environmental objectives based upon the product environment committee, and the coordination of all related vehicle development projects means we have made steady progress in both enhancing performance and achieving goals. Secondly, from the FY 2002, the area of responsibility for activities such as resources and energy savings, and for environmental risk management throughout the Technical Center

### Technical Center Environmental Management Organization



has been expanded. This is being promoted on a per-department level, and lies with Environmental Management Administrators. In each department, we are working to attain our goals through the use of environmental improvement activities that include shortening of the product development period and optimization of development testing materials.

In the FY 2003, we are aiming to create world class, environmentally friendly technology and environmental performance, and on a regional level, we are aiming to reduce the environmental impact. In addition, we are promoting continued improvement in environmental management, with all employees working towards contributing to the environment when carrying out their own business activities.

### Environmental Policy in the Technical Center

Accompanying the expansion of environmental management for the Technical Center into a unified products and business activities system, we have reformed our environmental policies.

## "Symbiosis of People, Vehicles and Nature"

As the global R&D operation in Nissan Motor CO., Ltd., we utilize top-level environmental technologies and make the most of initiative of individuals, address continuous environmental improvement activities and contribute to the realization of the sustainable society to protect our global environment.

### 1. Our efforts toward clean production

To realize a clean automobile society, we will assess environmental impact in all stages of a vehicle life cycle and continuously develop environmental technology.

We will especially focus our efforts on making improvements in important environmental fields, including enhanced fuel efficiency (reduction in CO<sub>2</sub> emissions), which will contribute to curbing global warming.

**2. The promotion of business activities symbiosis with the environment**  
All business activities will be rationalized and made suitable, in order to minimize the pressure towards the environment, and to contribute to the symbiosis.

3. **Individual voluntarily activation to improve the environment**  
Through environment education and enlightenment, we hope to deepen the individual awareness of improving the environment so it will relate to voluntary actions.

#### 4. Maintain Transparency to the Society

We will promote two-way communication with our stakeholders so that our corporate activity should remain transparent to the society.

In order to execute all of the above-mentioned, we will surely conform ourselves to laws, ordinances and other regulations. We will also set our specific targets and continue systematic efforts in preventing environmental issues.

## 2. Reduction of Exhaust Emissions

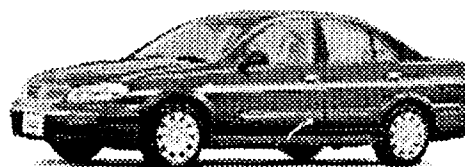
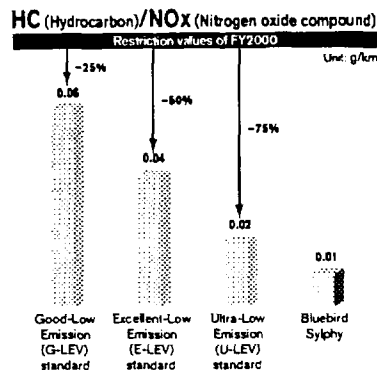
Nissan established the Exhaust Emission Committee in December of 1990 to actively promote the research and commercialization of technologies to purify automobile exhaust emissions, such as engine modifications, improvements in control technology and catalyst systems, and other post-discharge cleaning systems.

### Low Emission Technology of Gasoline Engines

Super Ultra Low Emission Vehicle (SULEV) certified Sentra CA (Clean Air), sold in the United States since February 2000, is the world's first gasoline Vehicle to receive Zero Emission Vehicle credit from the California Air Resources Board (CARB) as it met all other requirements including zero evaporative emission from the fuel system and the on-board diagnosis level 2(OBD-II).

From the 2003 MY (model year), we are increasing in the number of Nissan vehicles that support these requirements. In Japan, we have further improved the technology used in the Sentra CA and introduced the Bluebird Sylphy, with a more than 50% reduction of emissions from the Japanese "Ultra-Low Emission Vehicle (U-LEV)" standard, set by the Ministry of Land, Infrastructure and Transport.

### Exhaust Emissions of Bluebird Sylphy



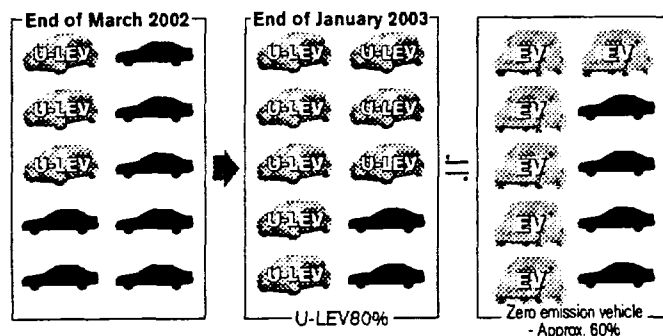
Bluebird Sylphy

### TOPICS Increasing Ultra-Low Emission Vehicles (U-LEV)

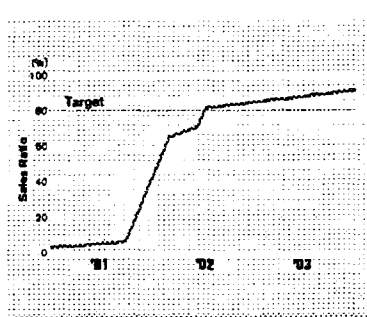
U-LEV is an environmentally friendly vehicle with exhaust emissions as clean as about one-fourth of the level of NOx and HC of cars certified for 2000 Japanese exhaust emission standards. Introducing 80% of U-LEV passenger cars annually in Japan has the equivalent effect, in terms of reducing NOx and HC, to disseminating 400,000 vehicles zero emission cars, such as fuel cell vehicles and electric vehicles, annually. Our priority is to employ practical technology that enables us to realize a wide dissemination of U-LEVs at affordable prices to make an immediate contribution to environmental preservation.

In January 2002, Nissan announced the "Nissan Green Program 2005", mid-term environmental action plan, which covers comprehensive environmental preservation activities, including products, technology, and recycling. The company has been promoting the increased usage of U-LEV passenger cars sold in Japan, and sales for the year ending January 2003 exceeded 80% of all vehicles sold, meaning the target of the plan was reached 2 months ahead of schedule.

### Benefit of increasing Ultra-Low Emission Vehicles (U-LEV)



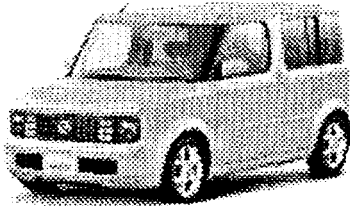
### U-LEV Sales Ratio in Japan



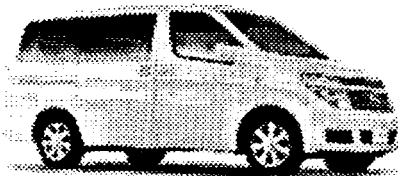
#### U-LEVs sold in FY 2002



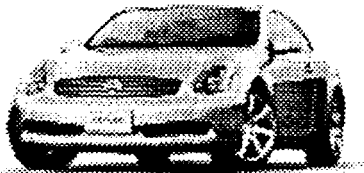
Fairlady Z



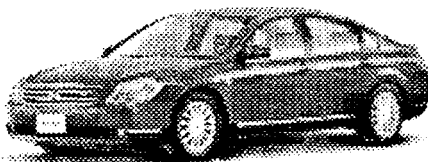
Cube



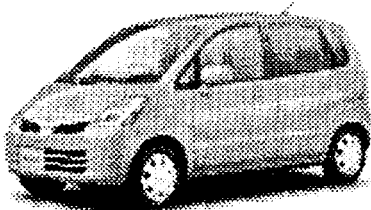
Elgrand



Skyline Coupe



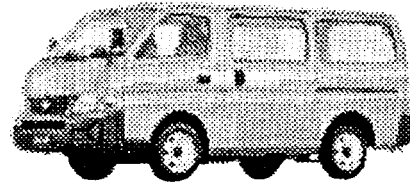
Teana



Moco

#### Low Emission Technology of Diesel Engines

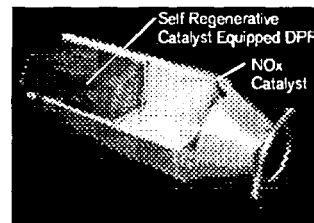
Compared to gasoline engines, diesel engines have a number of unique advantages—lower CO<sub>2</sub> emissions, better fuel economy, higher torque performance and greater energy conservation. Nissan is working to make its diesel engines even more cleaner and more efficient. Nissan uses direct injection and the new Nissan Modulated Fire (M-Fire\*) combustion technology to both reduce CO<sub>2</sub> emissions, and to realize previously unattainable minimum levels of noise, NO<sub>x</sub>, and smoke emissions.



Caravan

In particular, the "Caravan," our flagship commercial vehicle, was quick to comply with the demands of the "Automotive NO<sub>x</sub> and PM Law" enacted in October 2002, and in addition to being the only vehicle in its class to meet these stringent emissions standards, its economic efficiency and practical, powerful engine have met the demands of a wide number of customers. We are taking an active role in working towards the future, by way of such activities as holding a reference exhibit at a motor show of the self regenerative DPF (Diesel Particulate Filter). This uses a catalyst, and is one of our diesel emissions gas reduction technologies.

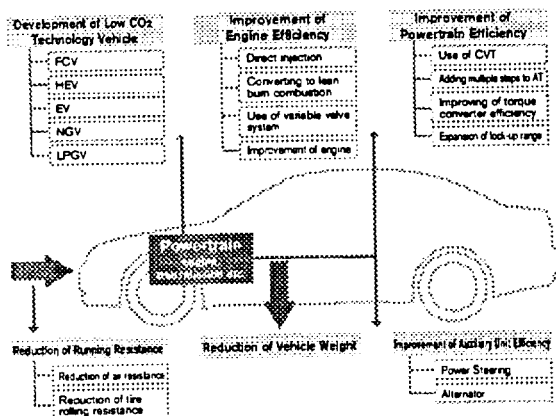
\* M-Fire Combustion: Low temperature pre-mixture combustion, based on optimization of fuel injection timing, the creation of strong swirl, and large volume EGR.



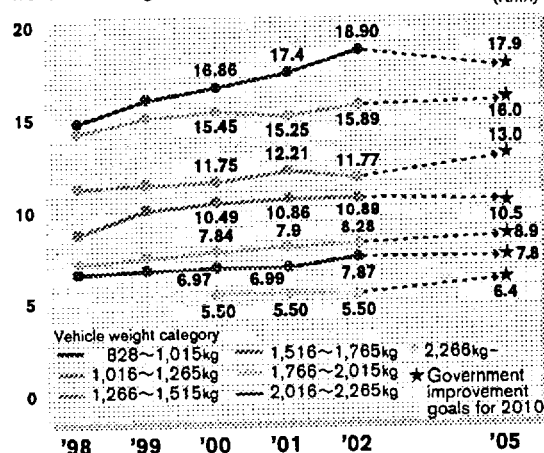
"Self Regenerative Catalyst Equipped DPF" and "NO<sub>x</sub> Catalyst" (Exhibited for reference at the 34th Tokyo Motor Show)

### 3. Improvement of Fuel Economy

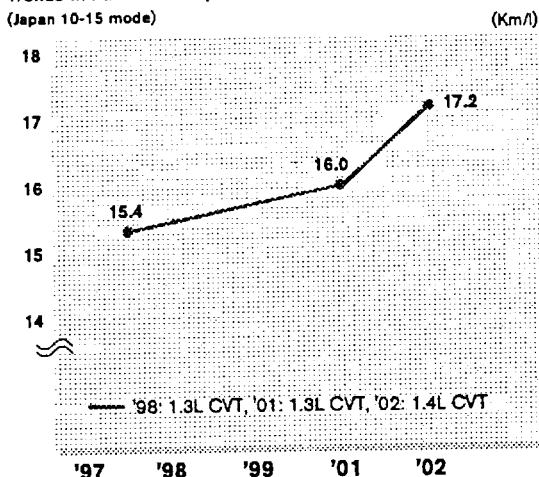
In November 1989, Nissan established the "Fuel Economy Committee" (currently referred to as the Fuel Economy Subcommittee), which has been carrying out comprehensive research, development, and commercialization, with the aim of promoting improvements in fuel economy (reduction in CO<sub>2</sub> emissions). We aim to achieve voluntary fuel economy standards which reflect Japan's 2005 standards for diesel vehicles and 2010 standards for gasoline vehicles, as well as standards set by other countries. In Japan, as one of the goals set by the Nissan Green Program 2005, we strive to meet the 2010 fuel economy standards by 2005, five years ahead of the original schedule. In 2002, we achieved these in 3 out of 7 corresponding weight categories.



Trends in Average Fuel Consumption by Category (Km/l)



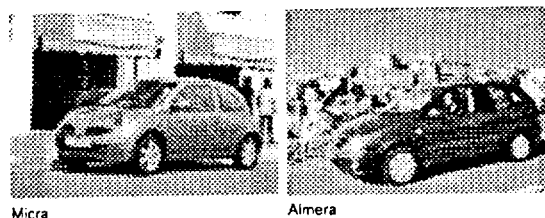
Trends in Fuel Consumption for the Cube (Japan 10-15 mode)



#### Efforts in Europe

In Europe, diesel engines' popularity is gaining, thanks to their lower CO<sub>2</sub> emissions (compared with petrol engines), higher torque, higher energy efficiency and, hence, even more environmentally friendly.

The Alliance with Renault has enabled Nissan to significantly expand the engine line-up to better cater to the diversified market demand for diesel vehicles in Europe. For example, the Micra and the Almera are now powered by a Renault 1.5 liter or a Nissan 2.2 liter diesel engine, and the Primera is fitted with a Renault 1.9 liter or a Nissan 2.2 liter diesel engine, all with the highly-rated common rail technology.



## Improvement of Drivetrain Efficiency

### ①Belt Type CVT (Continuously Variable Transmission)

(XTRONIC CVT / Nissan CVT / Nissan CVT-M6)







A belt type CVT that provides continuous changes of ratio using a pulley and a steel belt, and which was first used in the 1992 model March. In 1997, a torque converter was used in the development of the world's first 2.0 liter class "Nissan CVT," with improved initial acceleration. Furthermore, in 2002, we introduced world's first 3.5 liter FF vehicles adaptable XTRONIC CVT to the Teana. This achieved a combination of sporty handling only possible with manual mode transmission, smooth acceleration resulting from expanded gear ratio and lock-up ranges, and enhanced fuel economy.

### ②Troidal Type CVT (Continuously Variable Transmission)

(EXTROID CVT)

This is the world's first CVT that was commercialized to provide drive power and ratio changes by combining disk and power rollers (double cavity type). This transmission was first used in the Cedric and Gloria 1999 models. In 2002, it was fitted to the Skyline 350 GT-8, providing excellent response, smooth acceleration, and improved fuel economy for large displacement engines.

## Vehicles with CVT

CVT	Models
Nissan CVT Nissan CVT-M6	Primera (photo), Primera Wagon, Avenir, Liberty, Wingroad, Serena, Bluebird Sylphy
	
XTRONIC CVT	Teana (photo), Cube
	
EXTROID CVT	Cedric (photo), Gloria, Skyline
	

Vehicles with CVT sold in FY 2002

## TOPICS New 4WD System "e-4WD"

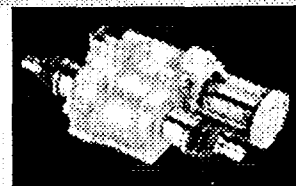
Nissan has developed "e-4WD," a light, compact, and totally new electronic four-wheel-drive system, which has been fitted to the March from September 2002, and to the Cube from October 2002. "e-4WD" is a system engineered around a regular front drive configuration, and uses an electric motor to drive the rear wheels only when 4WD capability is needed.

The low friction drive train means improved fuel efficiency when compared to former 4WD vehicles. In particular, when the driver selects 2WD, the clutch within the rear wheel drive unit is disengaged, meaning fuel efficiency close to that of 2WD vehicles (tests conducted by Nissan indicate a 5% improvement in fuel efficiency over ordinary 4WD).

The system comprises three elements, the "4WD control unit," that controls the power, a "rear wheel drive unit" consisting of a motor, clutch, and reduction gear, and a "dedicated generator," for supplying power to the drive motors. When 4WD operation is required, the 4WD

control unit directs the dedicated generator to produce electricity, which powers the motors at the rear of the car, whereupon these motors drive the rear wheels via a clutch. Between the rear wheel motors and the wheels

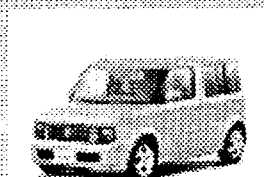
is situated an electromagnetic clutch, and by disengaging this clutch when 4WD is not required, friction is reduced, thus resulting in lower fuel consumption. In addition, the driver can select manually between 4WD and 2WD, meaning they can gain extra fuel efficiency on dry roads.



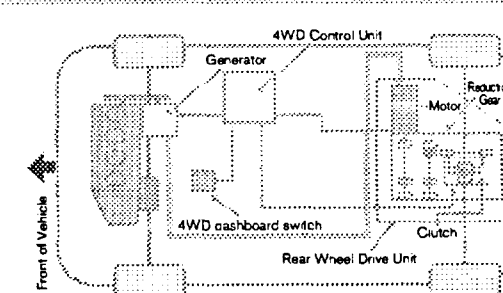
4WD Control Unit



March e-4WD



Cube e-4WD



### 4. Development of Clean Energy Vehicles

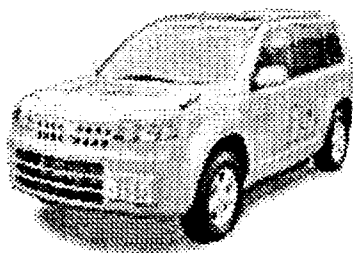
Nissan is acting aggressively to prevent global warming, to reduce and clean exhaust emissions, and to respond to future energy problems, by way of research and development in four technological areas: fuel cells, electricity, hybrid technologies and natural gas. Issues such as vehicle durability, price, driving range, technical issues and the establishment of fuel supply centers for use by these vehicles must all be addressed, in order to see increased usage of clean energy vehicles. Furthermore, in cooperation with other industries, we are continuing efforts in R&D and commercialization in response to requirements.

#### Fuel Cell Vehicle (FCV)

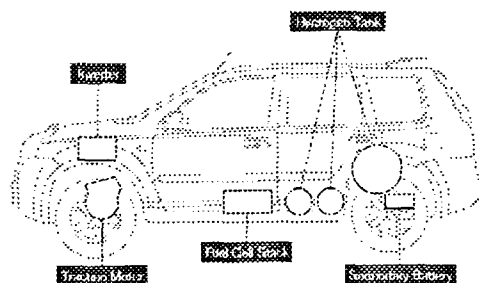
This is an automobile with a clean and efficient power source that directly generates electrical energy through the reaction of hydrogen and oxygen, leaving only pure water as a by-product. Nissan's FCV applies technologies that have been developed in Nissan, such as lithium ion batteries and high voltage electric systems for electric vehicles, control technologies for hybrid vehicles and high pressure gas storage systems for CNGV. Nissan has been developing FCVs that aims to achieve excellent environmental and energy-saving capability.

In December 2002, the X-TRAIL FCV obtained certification of the Ministry of Land, Infrastructure and Transportation, and started public road testing in Japan. With the participation of the Japan Hydrogen & Fuel Cell Demonstration Project (JHFC) and the California Fuel Cell Partnership (CaFCP) in the USA, Nissan has been acquiring data of public road test and continuing to improve public awareness of fuel cell vehicles.

Nissan intend to make further improvements to the X-TRAIL FCV, and limited sales are scheduled in 2003.



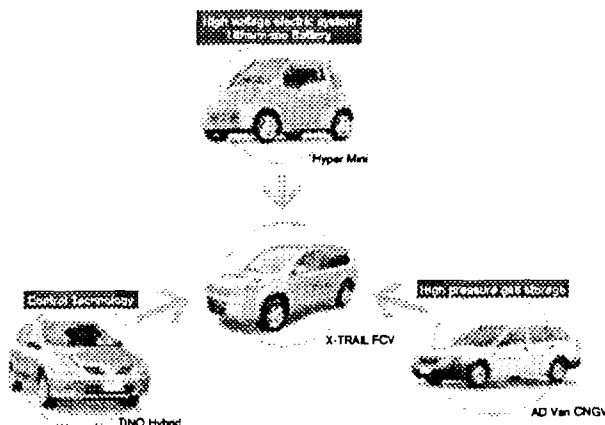
X-TRAIL FCV



X-TRAIL FCV Layout Overview

#### Features of Nissan's FCV Technology Development

Nissan's FCV applies EV (Electric Vehicle), HEV (Hybrid Vehicle) and CNGV (Compressed Natural Gas Vehicle) technologies which have been developed up to the present.



#### History of Nissan FCV Technical Development

**1996** Start of Full-scale FCV Development

**May 1999** Start of Full-scale FCV Driving Tests

Started of vehicle testing using R'nessa FCV, methanol reformat FCV.

**March 2000** Participation in CaFCP

Participation in "California Fuel Cell Partnership".

**April 2001** Start of public road testing in North America

Started the five-year program of FCV development in cooperation with Renault, with an investment of ¥85 billion. The start of public road testing of the XTERRA FCV, based in Sacramento, California.



XTERRA FCV (Hydrogen Fuel Cell Vehicle)

**December 2002** Start of public road testing in Japan

X-TRAIL FCV, direct-hydrogen-fueled FCV, obtained certification of MLIT, and started public road testing in Japan.



X-TRAIL FCV (Hydrogen Fuel Cell Vehicle)

**2003** Limited Sales

Based upon the X-TRAIL FCV, we will make further improvements, and will start leasing of FCVs in 2003, 2 years ahead of initial planning.

### Electric Vehicle (EV)

From February 2000, we commercially introduced the ultra small electric vehicle "Hypermini" as a proposal for a new type of city vehicle. Hypermini uses aluminum platform exclusively developed for the vehicle, while also supporting its high energy efficiency and ease of use, plus its safety as an ultra small vehicle. Also, a market survey for ultra small electric vehicle commenced from November 2001 jointly with University of the California, Davis, using the Hypermini.

### Hybrid Electric Vehicle (HEV)

We have developed the "Nissan Hybrid", a hybrid system that dramatically improves fuel efficiency by combining an electric motor with a gasoline powered engine and utilizing both of their strong features. The vehicle was commercially released in April 2000 under the name of "Tino Hybrid". We also have put effort into development of fuel efficiency technologies including hybrid technology, such as organizing the specialized department. Also, Nissan and Toyota Motor Corporation have concluded a basic agreement on the long-term, continuous transaction of the hybrid systems including technical cooperation aiming for further decreasing the cost of hybrid vehicle components, which should lead to boosting the sales of hybrid vehicles around the world. As an initial project, Nissan will be installing a hybrid system currently under development by Toyota Motor Corporation in Nissan's vehicle to be sold in the United States in 2006.

### Natural Gas Vehicle (NGV)

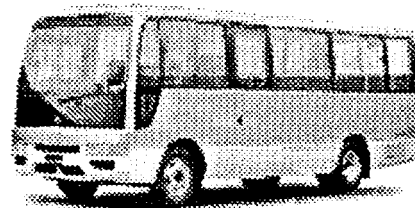
Nissan is involved in the research and development of high-performance compressed natural gas vehicles (CNGV) that in the most part use methane, which has environmentally friendly qualities such as low NOx and CO2 emissions, as well as the being an alternative energy source that does not depend on petroleum. The new AD Van CNGV launched in January 2000 was the first vehicle certified as a low emission vehicle by the Ministry of Land, Infrastructure and Transport's low-emission vehicle certification system. This vehicle has power, performance, and comfort levels similar to that of standard gasoline vehicles, and an cruising range that is at the top of its class. These features meant that, in July 2002, cumulative sales of the AD Van CNGV in Japan achieved a thousand units, and succeeded in taking the top



AD Van CNGV

share of the small van CNG vehicle market.

Furthermore, the "Civilian CNG" was released in January 2003 taking into account the environment in the microbus market. It is based around the TB45E gasoline engine, and while achieving power output comparable to a diesel turbo engine, its low noise and vibration emissions make it very environmentally friendly.

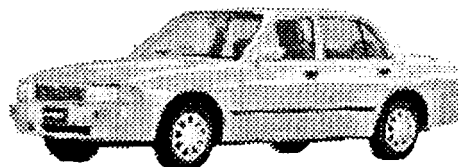


Civilian CNG

We are introducing the "AD van CNGV," the "Atlas CNGV," the "Caravan CNGV," and the "Civilian CNG," to ensure a full lineup of natural gas powered passenger and commercial vehicles, and are striving to promote the spread of low-emissions vehicles.

### LPG Vehicle

LPG is widely used as an alternative to diesel fuel in commercial vehicles, as it combines low emission levels with quiet operation. In 1998, Nissan released the low emission Cedric/ Gloria LPG and Crew LPG vehicles. These were designated as low emission vehicles in seven prefectures and cities, and as low NOx vehicles in six prefectures and cities in the Kyoto, Osaka and Kobe region. In 2002, all of our commercial LPG vehicles gained accreditation as "Excellent-Low Emission Vehicles (E-LEV)" under the Ministry of Land, Infrastructure and Transport's accreditation system for vehicles with low emissions gas, and these were the first domestic commercial LPG powered vehicles to do so. LPG delivery trucks are in high demand, and Nissan provides a full range of 1.5- to 3.0-ton Atlas LPG trucks.



Crew LPGV

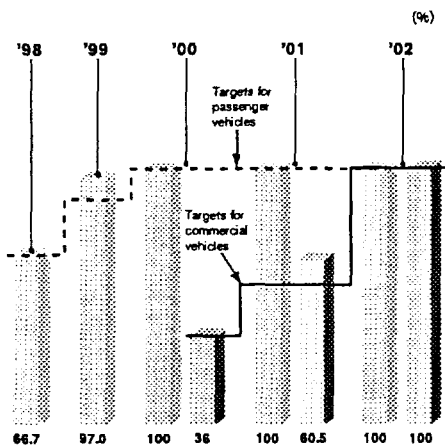
### 5. Reduction of Vehicle Noise

Vehicles emit various types of noise, including engine noise, tire noise, exhaust noise, intake noise, cooling fan noise, and wind noise. We have conducted aggressive research and development in this area aimed at reducing noise levels, and have achieved favorable results.

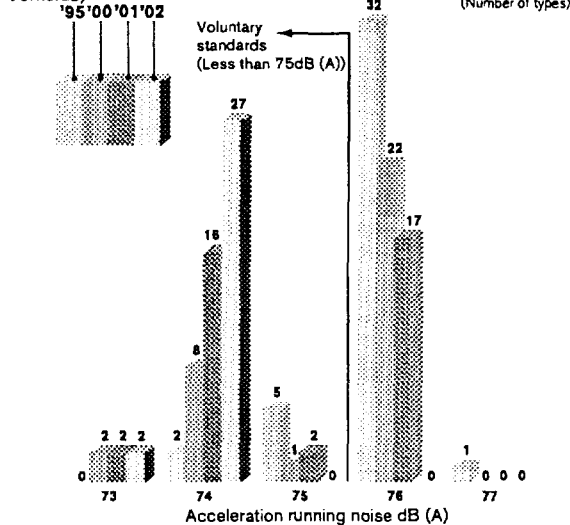
By 1996, our vehicles complied with new European standards, and all of Nissan's vehicles including commercial vehicles achieved new Japanese standards by 2002.

In the future, we will continue to work towards compliance with voluntary standards in Japan, Europe, North America, and in other regions.

Qualification Ratio of the New Standards (Japan) for External Noise



Transition of Acceleration Running Noise (Japan) (Commercial Vehicles)



### 6. Control of Air-Conditioner Refrigerant Emissions

Chlorofluorocarbon 12 (CFC12) was used in the past as a refrigerant for vehicle air conditioners, but as this was found to destroy the ozone layer, the "CFC Countermeasures Committee" established in February 1989 quickly banned its use.

Subsequently, we began replacing CFC with a new refrigerant (HFC134a). In recognition of this undertaking, our company received the U.S. Environmental Protection Agency's Montreal Protocol 10th Anniversary "Best of the Best Stratospheric Ozone Protection Award" in September 1997.

#### Emission Restraints of HFC134a at the Development Stage

The use of CFC12 was totally abolished by the end of 1994, after full implementation of the substitute refrigerant HFC134a in all production vehicles. However, we are currently conducting research to conserve the use of refrigerants, and to develop refrigerants with a lessened environmental impact, because HFC134a is also said to contribute to global warming.

#### Conserving Refrigerants

We have reduced the amount of HFC134a used, and are gradually introducing equipment designed to reduce air conditioner leakage on new model vehicles. As of the end of FY 2002, 22 models now use air conditioners that have been modified in this way.

#### Researching Vehicle Air Conditioner Refrigerants with Low Environmental Impact

In cooperation with vehicle air conditioner manufacturers, we are conducting research into systems that use CO<sub>2</sub> or HC type refrigerants, but as of present, certain problems mean that none of these have been commercialized.

### 7. LCA (Life Cycle Assessment)

Nissan embarked on LCA at the start of the 1990s, by carrying out environmental impact assessments on car bodies and parts such as radiators, and on air conditioner refrigerants. Recently, we are working to further reduce environmental impacts over the products' lifecycle by applying LCA to the Skyline front end module and to the Stagea back door. LCA is a logical and effective method to enable the general assessment of environmental impacts. In the future, we will continue to work towards its reduction, and are investigating putting LCA to use in our business activities and product planning.



Skyline front end module

## 2 Manufacturing

Participating in the Nissan Green Program 2005 with a fundamental belief that environmentally friendly products are manufactured at environmentally friendly plants, we are moving ever closer to zero emissions of air, water, and atmospheric pollutants; we are promoting the conservation of resources; and we are striving to realize a recycling-based society.

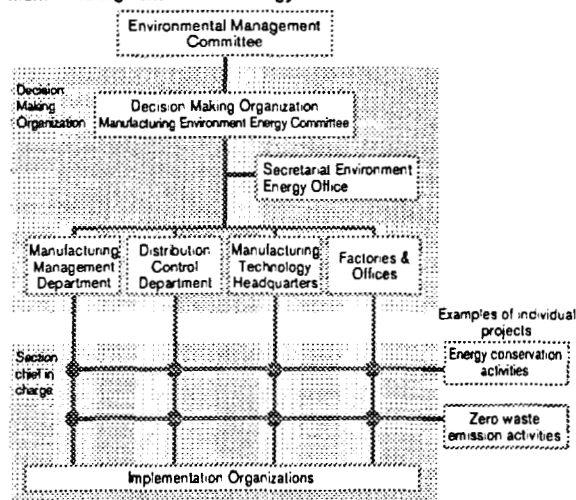
Hidetoshi Imazu  
(Senior Vice President in Charge of  
Manufacturing Division Environmental  
Activities, and Director in Charge of the  
Environment and Energy Control  
Section)



### 1. Environmental Management Organizations within Manufacturing

Ever since establishing a dedicated organization with responsibility for the environment at our head office and manufacturing plants in 1972, we have involved ourselves in the advance prevention of environmental problems and have created the EMS. Furthermore, we have established a Manufacturing Environment Energy Committee within the Environmental Management Committee, and we have organized this committee's internal structure with representatives from fields such as production management, logistics, manufacturing technology, and plant operations.

#### Manufacturing Environment Energy Committee



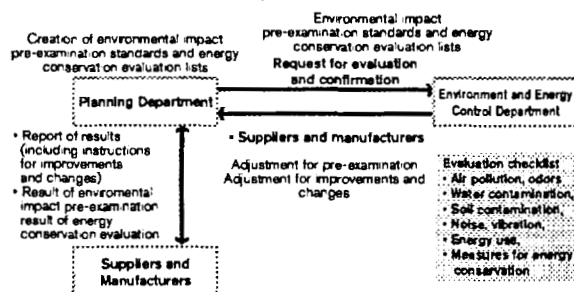
#### Related Meeting Bodies

Name of Meeting	Tasks
Environmental Management Committee	Determination and evaluation of the entire company's environmental policies and goals
Manufacturing Environment and Energy Control Committee	Deploying and expanding corporate environmental policies and goals to the manufacturing division, and determination and evaluating of that division's policies and goals
Environment Committee by Plants and Business Offices	Determination and evaluation of specific environment-related projects within manufacturing plants and offices
Section Chief in Charge of Environment and Energy Control Meeting	Evaluation of specific projects concerning environmental and energy issues, and sharing and communication of the related information
Nissan Group Environment and Energy Control Liaison Group	Exchanging information and technology concerning environmental and energy issues with affiliated companies

### 2. Pre-Assessment System

We have established a system for pre-assessment of the impact on regional environments resulting from the construction, modification, and expansion of plants and facilities, and from the introduction of new materials or processing technologies. Accordingly, we are utilizing this system to identify better manufacturing methods, to switchover to more environmentally-friendly materials, and to make other similar improvements.

#### Pre-Assessment and Review System for Environmental Protection



#### Energy Conservation Assessment Sheet as Relevant to the Installation of new Equipment

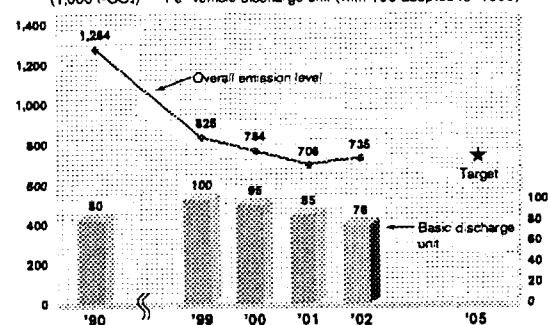
### 3. Promoting Energy Conservation (Curbing global warming)

In FY 2002, Nissan promoted measures to make manufacturing more efficient through the unification of plants and processes, and we also introduced highly efficient co-generation systems; furthermore, an Energy Conservation Project Team was established to ensure that these and other energy conservation activities could be pursued in a more intensive manner. Although CO<sub>2</sub> emission rose with respect to the previous year's levels, these efforts enabled overall emission levels for this gas to be reduced by 11% from those of FY 1999 (or by 43% from those of 1990). Continuing these activities in FY 2003, we have made advances in the elimination of energy loss and the promotion of effective use of heat through the introduction of this type of co-generation system; moreover, targets designated for 2005 have already been achieved. As production volumes continue to increase, every effort is made to prevent increases in CO<sub>2</sub> emission levels.

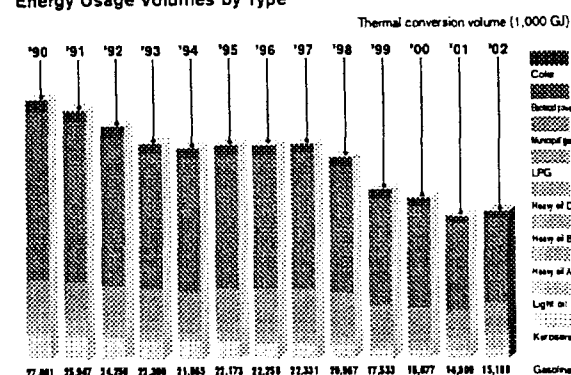
#### Major Improvements in Energy Conservation in 2002

Processes	Improvement Examples
<b>Improvements in Facilities</b>	
Power source	Introduction of highly-efficient co-generation systems (Pilot flame type natural gas engines)
Power source	Improvement of facilities to supply compressed air
Forging	Improvement of thermal insulation materials for insulated furnaces
Casting	Improvement of the shape of induction heater coils
Machinery processing	Switching of processing facilities to multi-purpose usage and inverter technology
Painting	Improvement of circulation methods for electro-deposition paints
<b>Improvements in Operations</b>	
General	Improvement of the degree of capacity utilization through the centralization of manufacturing
General	Thorough energy shutdown in facilities during non-manufacturing hours

Overall CO<sub>2</sub> Emission Levels & Basic Discharge Units  
(1,000 t-CO<sub>2</sub>) Per-vehicle discharge unit (with 100 adopted for 1999)



Energy Usage Volumes by Type



#### TOPICS 2002 Material Balance Sheet (intake and discharge of resources)

Overall energy intake level 15.2-million GJ

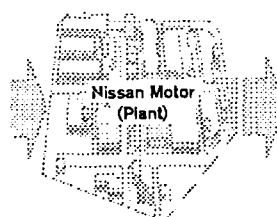
- Power 8.6-million GJ
- Gas 2.9-million GJ
- Fuel oil 1.6-million GJ
- Others 2.4-million GJ

Overall material intake level 1.838-million tons

- Steel sheet 1,075-million tons
- Cast metal 306-thousand tons
- Chemical substances 146-thousand tons
- Others 311-thousand tons

Water resource intake level 11.07-million m<sup>3</sup>

- Clean water 1.54-million m<sup>3</sup>
- Industrial-use water 2,264-million m<sup>3</sup>
- Groundwater 7,029-million m<sup>3</sup>
- Recycled water 236-thousand m<sup>3</sup>



CO<sub>2</sub> gas 735-thousand tons

Chemical substance discharge level 2,182 tons  
(PAPR substances)

Overall product production and sale levels 1.264-million tons  
Number of vehicles produced 1,062-million

Overall level of waste discharge 573,975 tons

- Recycled 558,120 tons
- Incinerated 15,465 tons
- Externally contracted 395 tons
- Direct land fill 55 tons

Ultimate waste processing level 2,839 tons

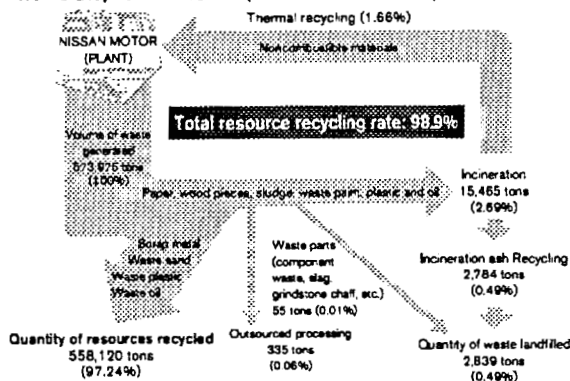
Overall water discharge level 7,095-million m<sup>3</sup>

#### 4. Reduction of Waste Processing Volumes (Zero Emissions)

As a result of increases in the number of vehicles manufactured, waste material generation levels rose by 7,500 tons (or 15%) in 2002. In contrast, however, waste emission elimination activities have now been embarked upon throughout the entire company, and as a result of these activities, it has been possible both to reduce the in-house incineration volume by 7,146 tons (or 30%) and also to maintain "the zero landfill volume"<sup>\*1</sup> achieved last year. Furthermore, as a result of the promotion of thorough sorting of waste materials and higher levels of recycling, we have successfully raised the recycling rate from last year's level of 97.5% to 98.9%. Since 2002 in particular, efforts at advancing upstream countermeasures have been made by a newly established specialist group, and through investment in facilities and the like, Nissan has advanced a range of far-reaching waste reduction activities.

<sup>\*1</sup>: Reducing the volume of waste that goes directly from plants and business offices to landfills to less than 1.0% of the 1990 level.

##### Waste Disposal Flowchart (metal waste included)



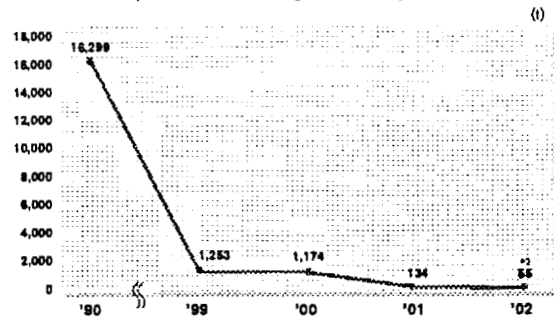
##### Main Examples of Waste Reduction & Recycling in 2002

Category	Waste Reduction Items
Reduce	Switchover to returnable pallets for the packaging of import components Implementation of wastewater processing as a result of the introduction of bio-processing for concentrated effluent
Reuse	Collection and reuse of protective component caps Reuse of discarded components (i.e., green parts)
Recycle	Recycling of window glass to new glass wool Recycling of grinders, concrete, and stones to obtain roadbed materials Recycling of sputter (i.e., iron powder from welding) to obtain steel material Recycling of office equipment to obtain copper and other metals Thorough separation of floor garbage using separation machinery to obtain metals and roadbed materials Recycling of mixed paper to obtain toilet paper Recycling of wastewater processing sludge to obtain raw materials for cement Recycling of sludge from pre-paint processing to obtain raw materials for cement Recycling of lumber to obtain compost Recycling of FRP to obtain cement fuel Recycling of wood chippings to obtain particle board Recycling of waste grease to obtain fuel

Paint guard film: Protective paint film for automobiles

Mixed paper: Various types of paper such as heat-sensitive printer paper, carbon paper, shredded paper, cigarette-box paper, and the like

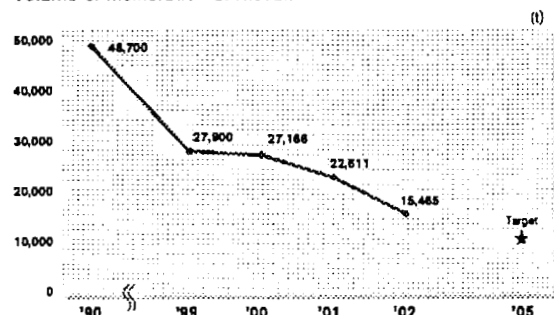
##### Amount of Disposed Waste that goes Directly into Landfills<sup>\*1</sup>



<sup>\*1</sup>: Shows the volume of waste that goes directly into landfills from plants and business offices

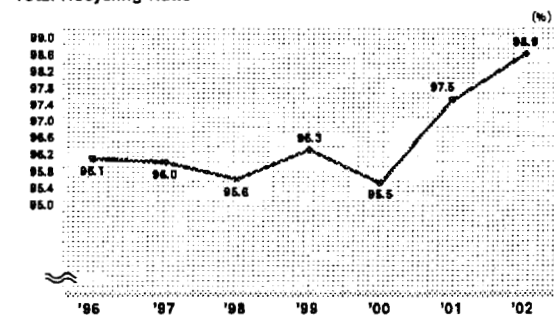
<sup>\*2</sup>: Fiscal conversion value of the level for March 2002.

##### Volume of Incineration at Nissan

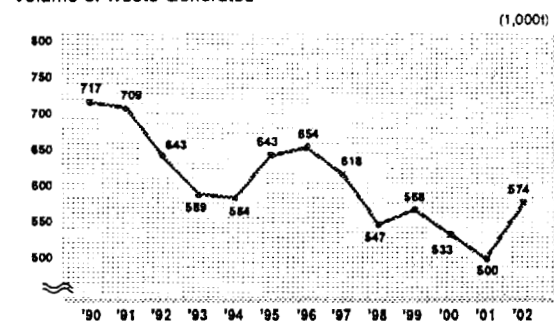


<sup>\*</sup> Figures from 1999 and onward do not include the Fuji Plant as this was spun off into a separate company.

##### Total Recycling Ratio



##### Volume of Waste Generated



### 5. Management of Chemical Substances

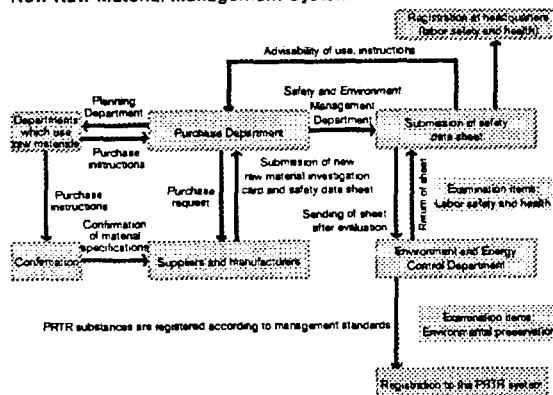
When new oils and fats, chemicals, paints, and other materials are adopted for use within the company, the correspond Material Safety Data Sheet (MSDS) is acquired from the material's manufacturer, and the information that this provides is used to evaluate all environmental, safety, and health factors. As a result, harmful substances are prohibited from use and are replaced with materials that have less impact on the environment; furthermore, those materials used by Nissan are registered in the PRTR\*1 system, and the corresponding usage quantities and the volumes discharged to the environment are totaled. Chemical products which require registration are those 435 substances designated by the PRTR Law — i.e., the Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of the Improvement of their Management — as well as various other chemicals listed in the MSDS.

This statistical system for chemical substances accesses information from the purchase control system for procurement of materials, and by managing all necessary information in an integrated manner, reliable statistics can be tabulated with no possibility of omission. Furthermore, this system also ensures that notification of discharge volumes as required under the PRTR law is provided to the appropriate authorities.

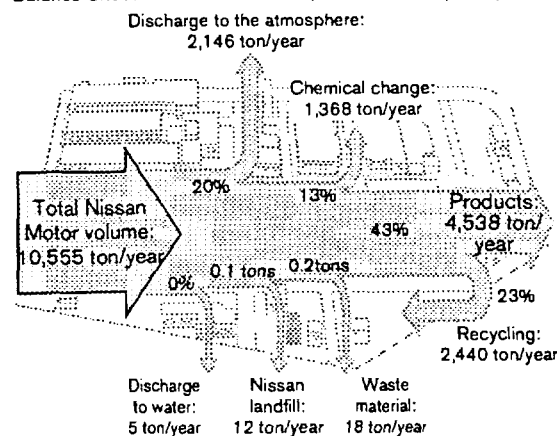
Upon consideration of the statistical results for FY 2002, it can be seen that toluene and xylene account for more than 90% of discharged substances, and this is unchanged from the previous year. These chemical compounds have little impact on the environment and they breakdown in the atmosphere after a relatively short period of time; accordingly, they are not recognized as being carcinogens. Although the Clean Air Act does not even apply to these substances, we are endeavoring to reduce their large discharge volumes, and these efforts are centered on the switchover to water-based paints in painting processes and the recovery of cleaning thinner.

\*1: Pollution Release and Transfer Register

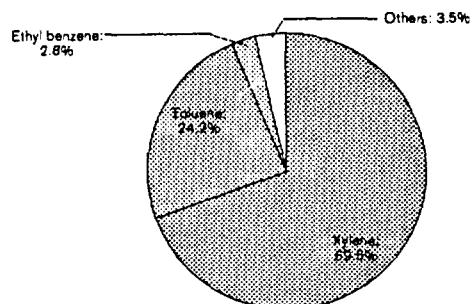
#### New Raw Material Management System



#### Balance Sheet for PRTR Materials (for five Nissan plants)



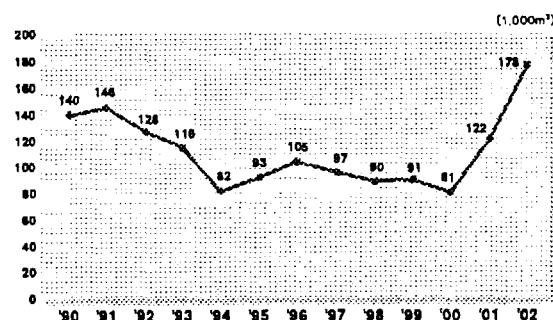
#### Figures for Discharge to the Atmosphere



### 6. Prevention of Air Pollution

Efforts to improve nitrogen oxide (or NOx) emission levels focus on incineration methods, and these efforts continue to generate reductions in emission levels. Furthermore, as a means of preventing global warming, co-generation systems were introduced to the Tochigi Plant in 2001; and to the Oppama Plant in 2002. However, this has actually lead to increased levels of sulfur oxides being discharged.

#### Amount of Sulfur Oxide (SOx) Released



### Reduction of Volatile Organic Compounds (VOC)

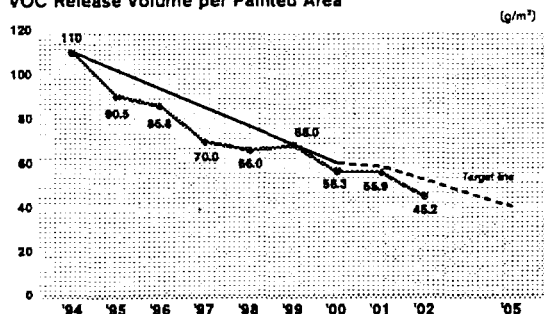
In order to reduce the levels of VOC generated in the painting process, we have increased the recycling rate for discarded paint thinner and reduced this substance's overall usage level. As a result of these measures, the amount of VOC released in 2002 per painted area was reduced by 59% when compared with figures from fiscal 1994. Furthermore, water-based painting lines which generate lower volumes of VOC have been introduced at the Kyushu Plant, and while further efforts to promote the switchover to this type of equipment were made during the current year, this project drew to a conclusion in 2002. Nevertheless, the world's top VOC-discharge level of 20 g/m<sup>2</sup> was targeted and successfully achieved at that plant.\* As the technologies required for water-based painting lines have now been developed, it is currently intended to expand the usage of this equipment to all Nissan plants so that their VOC discharge levels can also be reduced.

\* VOC: Volatile Organic Compounds



Painting line using water-based paints (Kyushu Plant)

### VOC Release Volume per Painted Area



### Control of Dioxin Generation

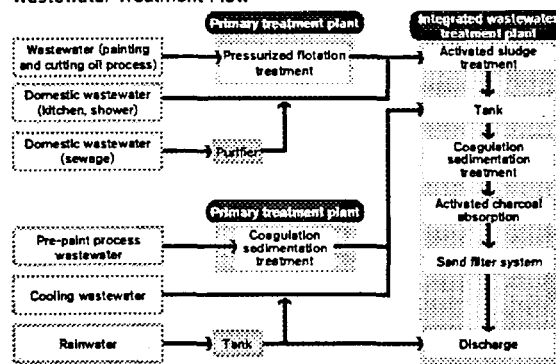
Dioxins are contained in gases which are emitted from industrial waste incinerators and aluminum melting furnaces, and they are subject to special dioxin countermeasures laws. Nissan has already reduced dioxin emissions to well below the levels required by the current regulations, and although these regulations were reinforced in December, 2002, we embarked upon a project to reduce Nissan's dioxin emission levels to less than one tenth of the regulated level. We have been successful in achieving this target. Furthermore, as waste incineration volumes continue to decrease, this also contributes to lower levels of dioxin emission.

Plant	Facilities	Description of Measures	Year
Kyushu	Waste matter incineration furnace	Preheating of combustion air, installing automatic controllers, installing fly-ash separation equipment	2000
		Spraying of activated carbon	2001
Oppama	Waste matter incineration furnace	Spraying of activated carbon	2000
Tochigi	Waste matter incineration furnace	Repair of waste heat boiler	2002

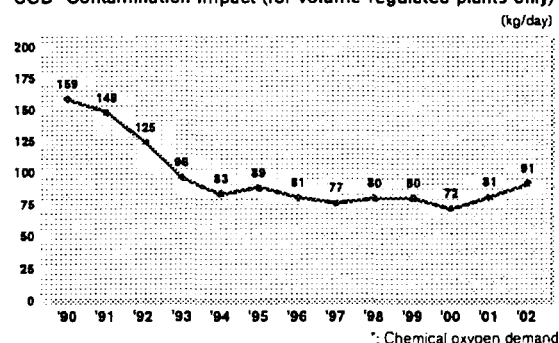
## 7. Prevention of Water Contamination

Vigorous efforts are being made to promote the in-process recycling of water used at Nissan plants, and usage volumes have thus been reduced. In terms of wastewater also, advanced processing is being carried out at treatment facilities before releasing this water into the environment. The introduction of organic processing in 2002 as a means of dealing with concentrated effluent has resulted not only in improvement of water treatment capabilities, but also in the reduction of water-treatment contamination levels. Based on the results of environmental performance monitoring being carried out with identical standards at all offices and centers, we intend to further enhance our management capabilities for personnel, property, and facilities.

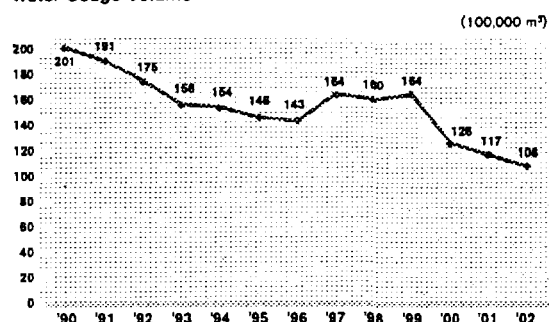
### Wastewater Treatment Flow



### COD\* Contamination Impact (for volume-regulated plants only)



### Water Usage Volume



## 8. Prevention of Soil and Water Contamination

Even before the drinking water standards for volatile organic substances were established in December 1992 under the Waterworks Law, our business offices had been participating in periodic examining of underground water. Furthermore, in accordance with the acquisition of ISO14001 certification by these offices, we consider it necessary to independently examine the environmental impact on soil and underground water. In this, we are currently studying both soil and underground water and are investigating the history of chemical substances which have previously been used. In accordance with the outcome of these investigations, further surveys and detailed investigations were held at those business offices where improvements were considered necessary. After purification measures were evaluated, we reported the corresponding results to the regional authorities, and under the guidance of these authorities, we promoted measures to create greener environments. We also began purification measures at the plants and offices where further improvements were needed, and these have been brought to conclusion at the Ogikubo and Zama business offices. Note that we do not use those volatile organic compounds which are regulated by the environmental standards.

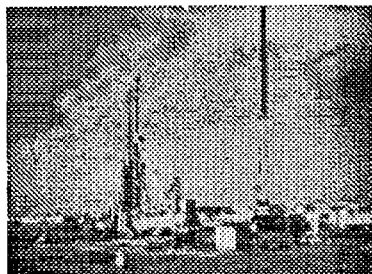
(Volatile organic compounds as referred to here are tetrachloroethylene, trichloroethylene, 1,1,1 trichloroethylene, and dichloromethane)

### Impact of Organic Chloride Compounds in Soil and Underground Water and Measures Implemented

Name of business office	Name of substance		Results of investigation and measures implemented
	Past	Present	
Yokohama Plant	District 1	○	No pollution
	District 2	○	No pollution
	District 3	○	Cleaning is under way
	District 4	○	No pollution
	Former Kuregahama Plant	—	No pollution
Oppama Plant	○	—	No pollution
Former Murayama Plant	○	—	Cleaning is under way (and is completed in certain cases)
Tochigi Plant	○	—	Cleaning is under way
Kyushu Plant	○	—	No pollution
Iwaki Plant	—	—	No pollution
Zama Business Office	○	—	Cleaning has been completed
Honmoku Business Office	—	—	No pollution
Sagamihara Business Office	—	—	No pollution
NTC District	—	—	No pollution
Former Ogikubo Business Office	○	—	Cleaning has been completed

### HP Environmental Investigation of the Kuregahama Plant

News Release 2002/8/1



Environmental investigation of the former Murayama Plant

## 9. Environmental Preservation in Logistics

As a result of streamlining our logistics system and improving the containers which are used, Nissan has achieved favorable results in terms of reduced CO<sub>2</sub> emission. Increases in automobile production volumes at Tokyo plants in 2002 have resulted in higher ratios of land transportation. In order to compensate for this, new marine routes have been established and the transportation of components has been rationalized; accordingly, our logistics have become more effective as a result. In order that we may further improve loading ratios in the future, Nissan is vigorously promoting more efficient usage of empty containers in the transportation of components and the switchover to shared, returnable pallets for service components. In terms of modal shift, furthermore, marine transportation is also being promoted.

### Enhancement of Loading Ratios

By increasing the loading ratios of trucks and trailers, we have made it possible to reduce the number of operating vehicles, thus promoting more-efficient logistics through the reduction of emissions, the preservation of energy, and the alleviation of traffic congestion. In more specific terms, we are currently promoting the following:

Transportation of finished vehicles: Sharing of transportation with other manufacturers and transporting used cars on return trips.

Delivery-part transportation: Transporting mixed cargo and switching to lighter, more compact containers.

Service Parts Transport: Sharing transportation with other manufacturers and integrating destinations.

### Modal Shift Transportation

In order that parts and finished vehicles may be transported to remote destinations, we have shifted from trucks and trailers to marine transportation; accordingly, transportation efficiency has increased and CO<sub>2</sub> emissions have dropped.

### Promoting Resource Protection and Recycling

In order to protect forests and woodland, Nissan has switched from wood and cardboard in packing and packaging materials to iron and plastics. In this way, we hope to facilitate the repeated usage of resources.

### Objectives in Logistics

Products	Management item	2002		2003
		Target	Results	Target (tentative)
Finished vehicles	Marine transportation ratio (%)	48	47	47
Delivery components	Reduction in numbers of trucks	70	206	150
Service parts	Reduction in numbers of trucks	18	27	26

## 3 Sales and Service

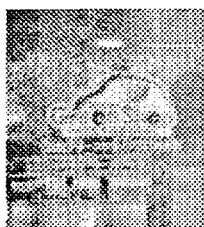
Through the Nissan Green Shop Certification System we are involved in the preservation of the local environment by implementing appropriate treatment and recycling of waste generated from service and repair operations at the dealers and from End of Life Vehicles (ELVs).



### 1. "Nissan Green Shop" Certification System

#### Certification of all Dealers has been Completed

From April 2000 we introduced our own environmental management certification system based on ISO14001 and reinforced the environmental preservation activities of our dealer companies. As of March 2002 the certification of all dealer companies has been completed.



Certification Sticker

#### Internal Inspection and Surveillance

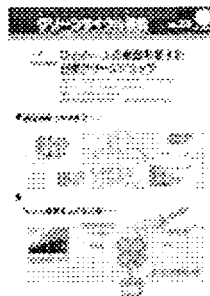
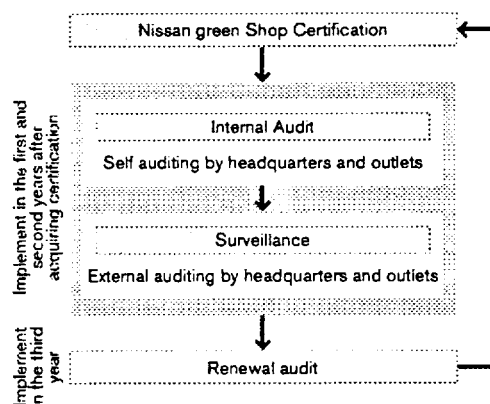
We verify the continuation of environmental preservation activities in order to establish environmental management and to maintain and enhance activities by having the dealers themselves inspect themselves, and through our company's surveillance in the first and second year after certification and to renew the inspection in the third year. As of March 2003, the surveillance of all 226 dealers\* has been completed. Also, after they are trained, the number of Nissan Green Shop inspectors increases.

\*: Total number of vehicle, parts, forklift, and other dealers as of March 2003.



Surveillance

#### Flowchart for Continued Activities after Certification

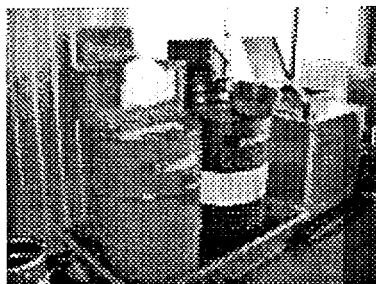


Green Cycle Communication (Nissan Motor intends to continue the regular release of this publication as a tool for the exchange of information with Nissan dealers.)

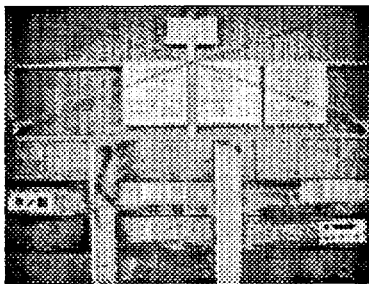


Internal PR tool

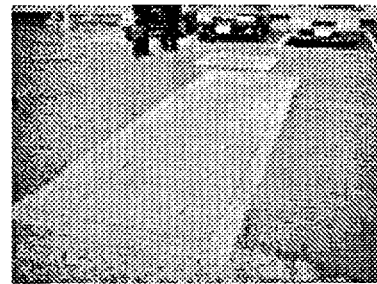
#### Example of activities: Nissan Satio Chiba



Workshop rags for cleaning away of dirt and receptacles to prevent leakage



Easy-to-see signs



Yellow display to aid identification of oil-separation equipment positions

### 2. Recovery & Breakdown of Air-Conditioner Refrigerants

June of 2001 saw the formulation of a law for the collecting and destruction of chlorofluorocarbons, and this law was subsequently enacted in December of the following year. Nissan Motor has entrusted the Japan Automobile Recycling Promotion Center with responsibility for all corresponding activities, and has been progressing in the collection and destruction of chlorofluorocarbons (CFC12) and hydro-fluorocarbons (HFC134a).

#### Support to Dealer

In advance of enactment of the law for the collection and destruction of chlorofluorocarbons, explanatory meetings for dealers were held at a total of eight locations nationwide in September 2002, and these meetings allowed the roles and actual duties of dealers to be clarified and efficiently communicated. In addition, these activities have also ensured that all dealers have now been registered by the relevant local authorities as the operators set forth by this law.

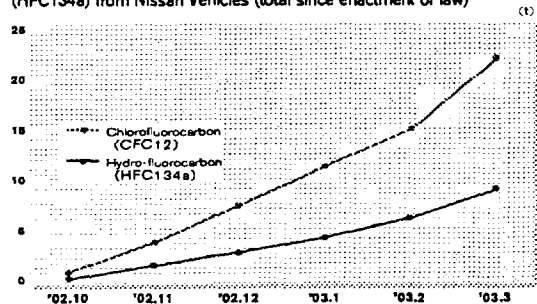
#### Incorporation to the Nissan Green Shop Certification System

Those items which required checking in accordance with the law for the collection and destruction of chlorofluorocarbons have been added to our own list of inspection items, and the corresponding checks are now carried out as part of surveillance activities. Furthermore, the Nissan Green Shop Manual has been updated accordingly and distributed to all dealers.



Chlorofluorocarbon collection vessel

Actual Collection of Chlorofluorocarbon (CFC12) and Hydro-fluorocarbon (HFC134a) from Nissan Vehicles (total since enactment of law)

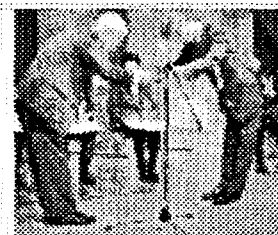


#### Recognition for Nissan Green Shop Activities (for Japanese Market)

TOPICS

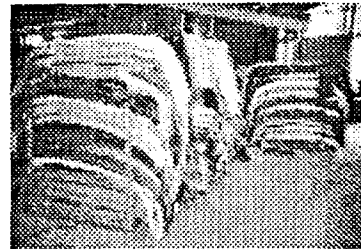
Nissan's Green Shop policies and activities are highly regarded as a means of promoting a more environmentally-conscious society, and this program was awarded the Enterprise Activity Award at the 2002 Wastec Awards. In awarding this prize, the Wastec award committee singled out the following points for particular praise.

- (1) Green Shop certification of all dealers has been completed.
- (2) The promotion of environmental protection.
- (3) Appropriate treatment of end of life vehicle.
- (4) Activities for the improvement of management practices.



### 3. Collecting and Recycling Bumpers

We collect used plastic bumpers generated at dealers from all parts of Japan to repair and exchange them. The collected bumpers are recycled into plastic parts for new vehicles.

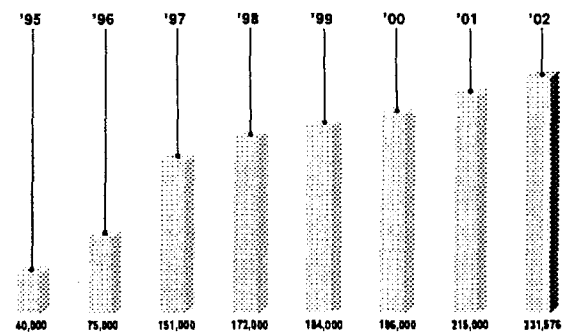


Collected bumpers



Recycling process of materials

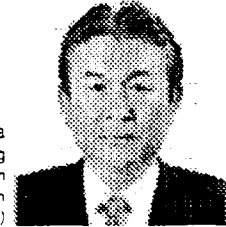
#### Bumper Collected Volumes



## 4 Recycling

Japan's automobile recycling law was established in July 2002 and will be enacted in the latter half of 2004. Besides complying with various laws and regulations concerning End of Life Vehicles (ELVs), it is important to improve ELV processing and recycling systems enable to have customer's reliance. We have striven to make effective systems with the help of others.

Sadao Sekiyama  
(Senior Vice President, Recycling  
Committee; Chairman, Director in  
Charge of the Recycling Promotion  
Department)



Our aim is to help society recycle. Our activities are based on the concept of the "Three Rs". The first R is "Reduce"<sup>1</sup>, to design automobiles that have a longer lifetime and use less resources. The next R is "Reuse"<sup>2</sup>, Before ELVs are placed in a shredder, parts are removed and given new life as used parts. Also, at the end-of-life stage, parts are returned to their original materials ("Recycle").

We are even working to reduce environmental impact of the final waste, Automobile Shredder Residue (ASR)<sup>2</sup>. We are in the process of developing a technology to reduce this waste and recover energy from it.

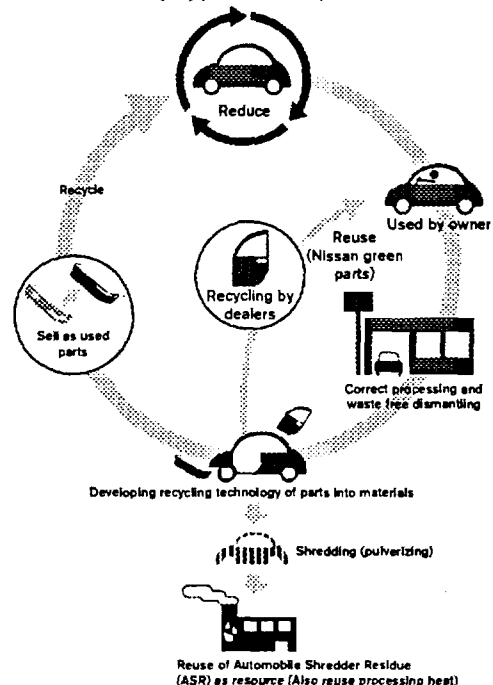
<sup>1</sup> Reduce: Reduce the amount of wastes through resource conservation and extended product lives.

<sup>2</sup> Automobile Shredder Residue (ASR): The dust that remains after ELVs have been shredded and metals, such as steel, have been removed. Most ASR is landfilled today.

### Approach to 3R at Nissan

Reduce: Approach to Reducing waste generation	Reuse: Approach to Reusing parts	Recycle: Approach to Material Recycling
<ul style="list-style-type: none"> <li>Efforts aimed at long life design and reducing usage of resources</li> </ul>	<b>Product</b> <ul style="list-style-type: none"> <li>Efforts aimed at the reuse of vehicles</li> <li>Efforts aimed at the reuse of parts</li> </ul>	<ul style="list-style-type: none"> <li>Efforts aimed at recycling of items for appropriate treatment</li> <li>Efforts aimed at adoption of recycle</li> <li>Efforts aimed at recycling of Automobile shredder residue at Oppama plant</li> </ul>
<ul style="list-style-type: none"> <li>Efforts aimed at suppressing the generation of byproducts through rationalization of production processes</li> </ul>	<b>Byproduct (= industrial waste)</b>	<ul style="list-style-type: none"> <li>Efforts aimed at reusing byproducts from manufacturing processes as raw materials</li> </ul>

### Green Cycle (recycling as seen by Nissan) [3R] (Nissan Model)

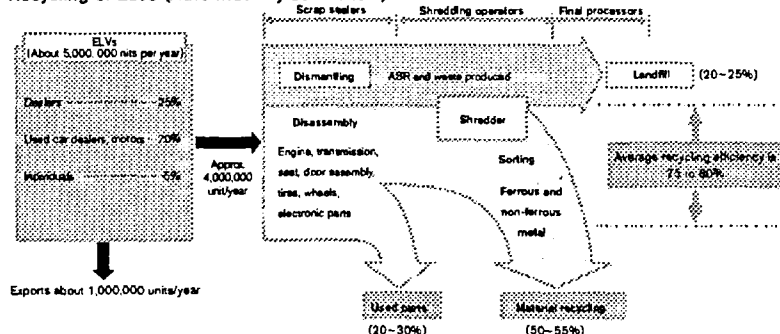


Nissan's additional measures for achieving an 85% recycling rate

Oil collection rate
Battery collection
Recycling rate + 1.8%
Tire collection rate
Recycling rate + 3.8%
Reuse ASR
Thermal energy usage rate + 2.4%

Add to above items, more activities to increase recycling are requested through "Communication" (cf. P36)

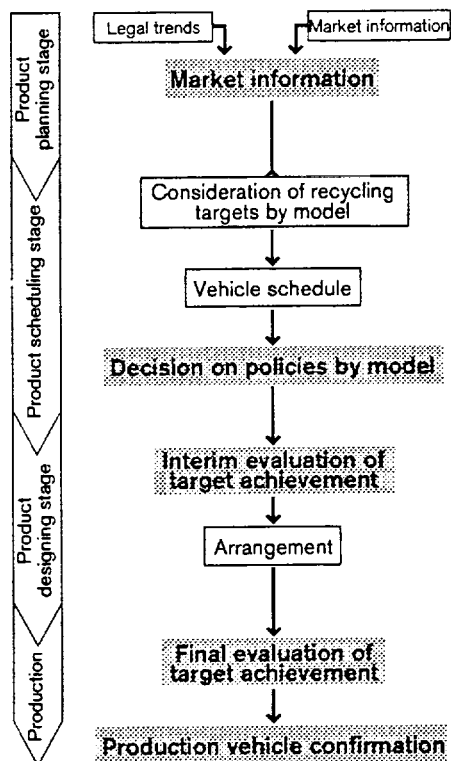
### Recycling of ELVs (Auto Industry as a whole)



### 1. Activities at the New Vehicle Development Stage

#### Development Process for 3R Design

Target values for new model development have been set with respect to the recoverability rate, the environmental impact substance, the dismantling efficiency, and the marking standard for plastic components. We clarify the evaluation criteria in the designing stage, and we evaluated and manage the degree of target achievement in the development process according to ISO14001.



#### Recycling Targets

At Nissan, we have achieved recoverability rate of 90% or higher for all new vehicles launched since 1999; furthermore, in 2002 we successfully achieved a rate of over 95% for the new Cube. Nevertheless, we fully intend to continue in our development efforts to realize even higher potential recycling rates in future new models.

Recoverability rate: Determined in accordance with Nissan's own calculation standards

#### Results for 2002's New Models

90% or higher: Elgrand, Fairlady Z, Skyline Coupe, and Teana

95% or higher: Cube

#### Design Guidelines

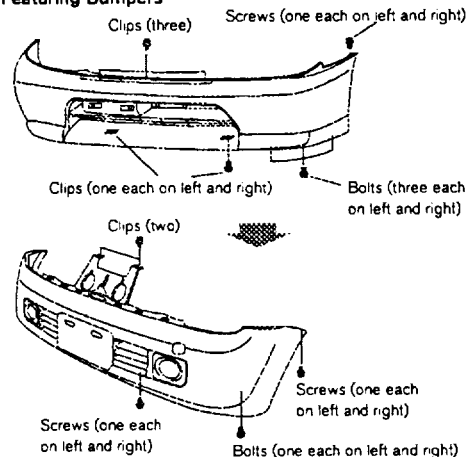
The Recycle Design Guidelines have been created in order to ensure a positive and proactive approach to recycle-conscious design of new models. To recycle ELVs and reuse parts, recycling and reuse designs must be built into the automobiles when they are developed as new models. To efficiently recycle ELVs, the guidelines provide a framework for making improvements. Namely, the guidelines show how to facilitate recycling from the design stage by incorporating the improvements that were requested on previous products and the ideas for new mechanisms.

#### Development of Easy-to-Recycle Structure

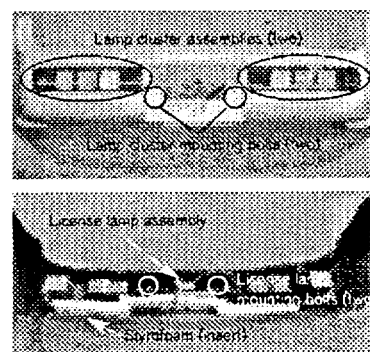
##### (1) Ideas to make parts easier to remove

Nissan has made parts easier to remove from automobiles by reducing the number of parts and reducing the number of points where parts are installed on automobiles.

#### Example Featuring Bumpers



#### Example of Rear Combination Light

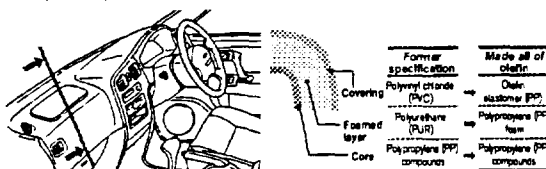


## (2) Easy material separation

Many parts are made of more than one material. As a result, separating these materials is an essential step in recycling. We are advancing the use of structures that allow the complete separation of materials and the development of parts made of single materials.

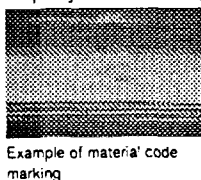
### Parts made of single materials

Example of Improvements to the Instrument Panel (made all of olefin)



## (3) Easy identification of materials

When plastics of different types are mixed, the material recycled from the mixed plastics tends to be inferior in quality. In some cases, the plastic mixture is difficult to recycle. At Nissan, we mark plastics parts with material code according to ISO 11469. Large parts such as bumpers that are cut off prior to disassembly are marked in several places.

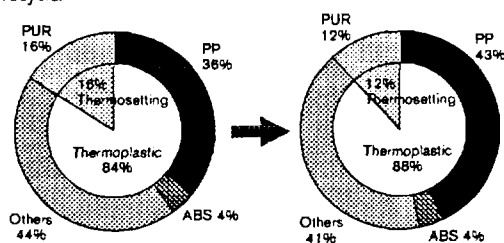


## Development of Easier to Recycle Plastics

Today, plastics materials that are difficult to recycle are landfilled in the form of ASR. To recycle a greater amount of such plastic materials, we are expanding the use of parts made from single materials and the use of materials that are easy to recycle.

## (1) Greater use of thermoplastic

Nissan is promoting the wider use of thermoplastic, which are easy to recycle.



## (2) Consolidation of polypropylene

PP is a common thermoplastic that accounts for approximately one half of total plastic use. The material is used for a variety of application, from bumpers with excellent impact characteristics to heater parts which require excellent thermal properties. We have decreased the variety of PP that we use in production to six types that are readily available overseas.

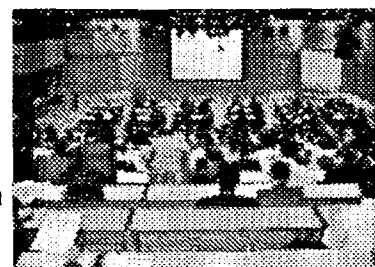
## Reduction of Substances with Environmental Impact

The Nissan Green Program 2005 targets the reduced usage of materials with an environmental impact, and activities are being carried out with this aim. The auto industry's target for lead use was to reduce lead use by approximately one third of the 1996 level by the end of 2005. Nissan achieved this target on five new models we introduced in 2002. Furthermore, efforts are currently underway to develop replacement technologies for hexavalent chromium.

## Suppliers' Meeting for Environmental-impact Substance Reductions and Current Conditions

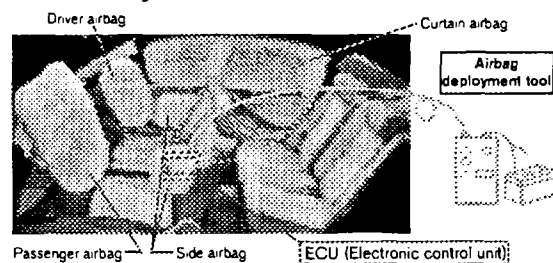
Meetings have been held to provide our suppliers with information regarding Nissan's targets, reduction policies, and management methods for substance with an environmental impact. As part of efforts to ensure that consideration is given to environmental quality even from the design stage, our suppliers are requested to provide reports on such substance in terms of reduction and usage conditions, and chemical substance data for components and materials is currently being maintained and monitored.

Furthermore, the International Material Database System (IMDS) is being put to use in the identification and control of chemical-substance usage volumes within Nissan products, and this also links with activities for reducing the environmental impact. In 2002, a study was undertaken in terms of materials subject to European regulations (i.e., lead, mercury, cadmium, and hexavalent chromium) and the usage of these materials has been discontinued (except of excluded components).



## Simultaneously Operated Airbag Deployment System for Easier Pretreatment

It is now possible during the processing of ELV to ensure that airbags can be safely and easily deployed within the vehicle. In this, an airbag deployment device is connected to the vehicle's deployment connector, and by simply pressing a button, all airbags on the vehicle can be deployed simultaneously, regardless of the number of airbags.



## 2. Efforts in the End of Life Vehicles Processing Stage

Nissan is developing new technologies and systems for properly processing waste oils and liquids and those for recycling parts and materials in an effort to reduce shredder dust and lower environmental impact.

### Demonstration Disassembly Research

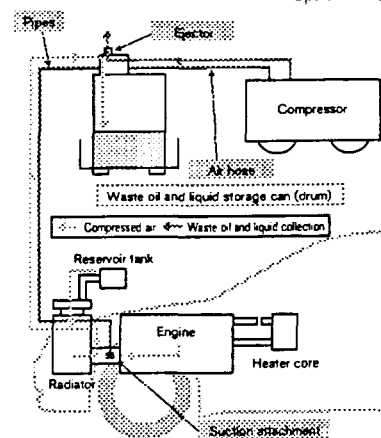
Nissan is developing processes and technologies for properly processing waste oils and liquids from the ELV dismantling process to improve the recycling rate without polluting the environment. The information and technical knowledge obtained through the research are disclosed to relevant industries.

#### (1) Development of equipment for appropriate treatment of waste oils and liquids

Using our knowledge as an automaker, we developed "one-stage drainer", a equipment that securely and economically collects waste oils and liquids in a single process. We began selling the equipment in May 2001. This equipment roughly doubles the volume of waste oils and liquids that can be collected, and allows the work to be performed quickly. In order to prepare for usage of this product in France, practical testing is currently being carried out in that country.



Operation test in France



Overview of the one-stage drainer system (system shown is engine coolant case)

#### (2) Engine long-life coolant (LLC) recycler

Nissan has sold "Fukkatsukun", an LLC recycling machine used since April 1999.

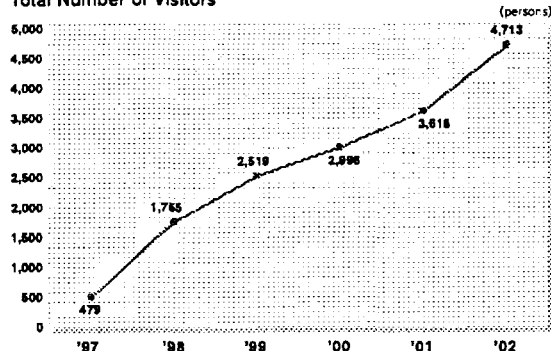
#### (3) Airbag deployment equipment

Nissan has developed airbag deployment equipment that controls odor and noise in air bag deployment. The equipment is being used by dismantlers.

#### (4) Disclosure of research

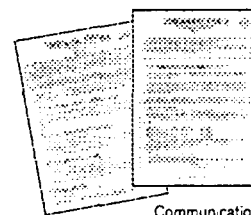
Nissan encourages visitors to see its experimental disassembly plant. So far the plant has received visits by many dismantlers, car dealers, parts sales companies, government offices, schools, and mass media. Between its startup in October 1997 and the end of 2001, the plant received approximately 4,700 guests.

#### Total Number of Visitors



#### (5) Exchanging information with recycling industry

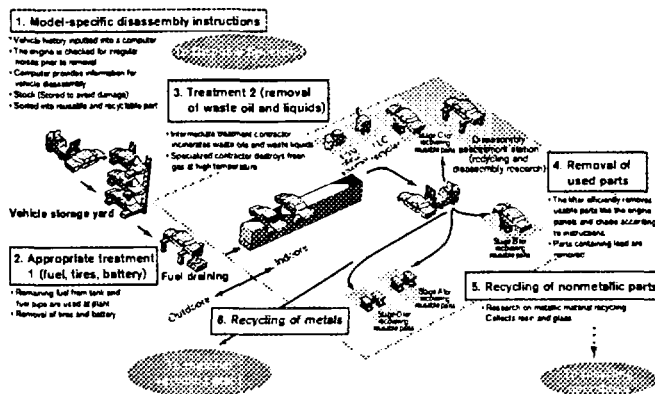
In December 1999, we published the first edition of "Communication", a quarterly publication designed to exchange information between our company and the recycling industry and to promote the appropriate treatment and recycling of ELVs. The eighth edition was published at the end of 2002. We will continue to publish this magazine.



Communication

### HP Communication

#### Nissan's concept of Appropriate Treatment and Dismantling Plant Layout



## Sale of Reuse and Rebuilt Parts

Reusable parts are sold under the product name "Nissan Green Parts: Nissan Green Parts are available as reuse (used) parts\*1 and rebuilt parts\*2. Nissan Green Parts is Nissan's way of promoting recycling and providing customers with an option in a repair.

Reuse parts are maintained at a total of fifteen different Nissan parts dealers nationwide, thus allowing these parts and rebuilt parts to be supplied via all 31 parts dealers within Japan.

\*1 Reuse parts: Used parts that are reused after washing and performing a quality check.

\*2 Rebuild parts: Recycled parts that are disassembled, washed, inspected, and fitted with new expendable parts.

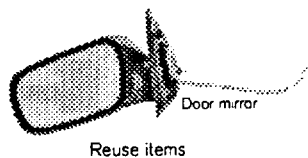


### (1) Sale of reuse parts

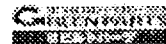
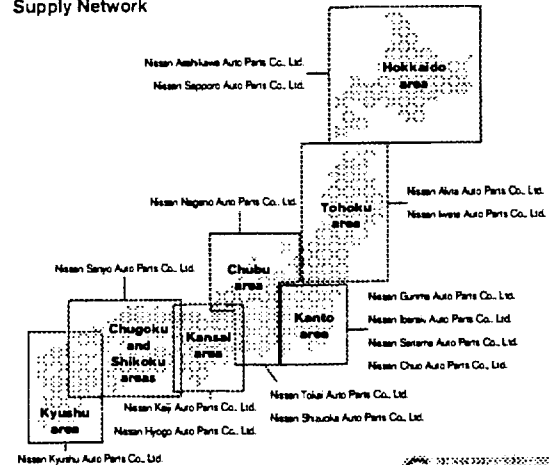
We have established our own part removal standards, developed testers for the engine and transmission, and devised a sales method for the parts. As a result, we have a smooth, consistent flow from part removal to sales.

#### Reuse parts product line

31 items including headlights, combination lights, doors, fenders, bumpers, hoods, meters, starters, wiper motors, driveshaft, power steering and linkages, and side view mirrors.



## Supply Network

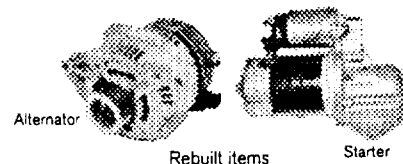


### (2) Sale of rebuilt parts

Functional parts and parts whose safety is of paramount importance are disassembled, washed, inspected, and fitted with new expendable parts before they are sold so our customers can use them with confidence.

#### Rebuilt part product line

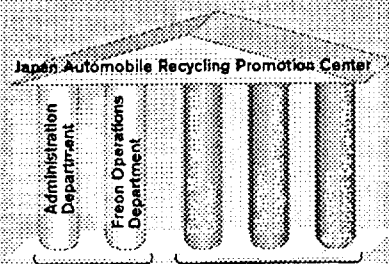
11 items including engines, automatic transmissions, torque converters, ECMs, brake shoes, power steering pumps, N-CVTs, alternators, and starters.



## TOPICS Preparation for Laws & Regulations Applicable to Vehicle Recycling (part 1)

The Japan Automobile Manufacturers Association, the Japan Automobile Importers Association, and other bodies have been established in response to the automobile recycling law that will be enacted from 2005.

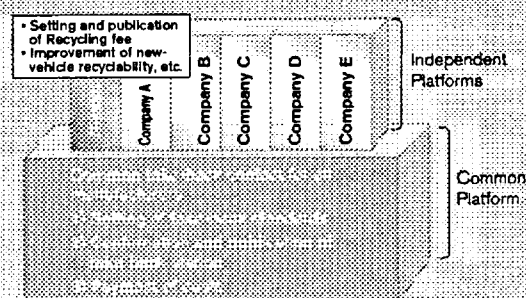
### 1. Joint Establishment of Recycling Management Bodies



Organization at present

Set up by the Japan Automobile Manufacturers Association, Automobile Importers Union, and other similar bodies to cope with automobile recycling law.

### 2. Development of a Common Platform for All Manufacturers



### Material Recycling Technology

Nissan is continuing research on technology to recycle used materials that are difficult to recycle, such as plastics, to improve the recycling rate of ELVs and recyclability of new models.

#### (1) Technology for reuse of removed parts in identical applications

Because used bumpers (made of polypropylene) are painted, recycling them presented a number of problems, including reduced strength. We have developed a mechanical paint remover that removes paint from crushed bumpers without using chemicals and does it less expensively than in the past. We make recycled bumpers from used bumpers and supply them as replacement parts. We also are preparing to use the recycled bumpers on new models.

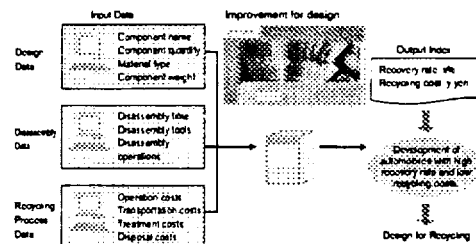
#### (2) Technology for reuse of removed material to parts

Nissan has begun a full-scale operation to directly use aluminum wheels from ELVs as the raw material for parts on new vehicles. (These results correspond to the period after the start in October.)

#### (3) Development of recycle evaluation systems

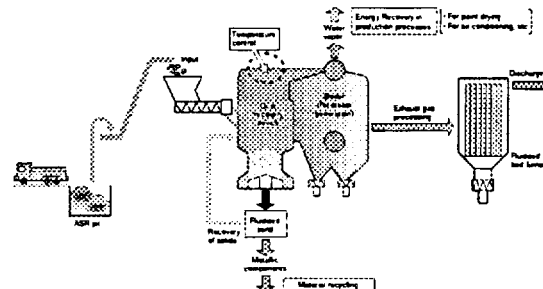
Renault and Nissan have jointly developed a system named as Opera which can simulate the recovery rate and costs in the process of recycling end of life vehicles. This system allows efficient recycling more economically, to evaluate recovery rates and costs at the development stage; based on design data furthermore, investigation of this system for recycling design is currently underway.

### OPERA: The Recycling Evaluation System



#### (4) Recovery of Automobile Shredder Residue (ASR) in the Oppama Plant

In a program scheduled to start in fall 2003, a portion of the incinerator located in the Oppama Plant for processing of industrial waste will be modified to recover energy from ASR. The amount of heat generated by ASR is large and the control of temperatures during incineration had proved difficult; furthermore, other problems such as the adhesion of foreign substances to the inside of the furnace, to the boiler's evaporation pipes, and to other similar components have also been associated with this process. However, optimum temperature control has now enabled these problems to be eliminated. Water vapor is also produced in this process, and this can also be put to effective use in the humidification of the plant's pre-painting processes.



### TOPICS Preparations for Laws & Regulations Applicable to Vehicle Recycling (part 2)

#### Activities in Europe

The EU directive on end of life vehicles was enacted in October 2000, and this directive put the responsibility for recovery and recycling of end of life vehicles on the manufacturers. (Each nation in the EU will enact its own regulations in accordance with this directive.)

##### 1. Alliance with Renault

In December 2000, Nissan Europe and Renault integrated their respective recycling departments in order to collect relevant information and the provide support to EU dealerships jointly.

##### 2. European Recycling Committee

Our European Recycling Committee comprised with representatives from each departments such as development, sales and management are held on a regular basis. In terms of activities to be carried out by Nissan in Europe, this committee is responsible for the specification of policies, for confirmation of the state of progress, and for other related tasks.

##### 3. Cooperation with distributor in EU Countries

Meetings with representatives from distributor in the each EU country are held regularly so that activities such as the actual collection of end of life vehicle and the construction of recycling networks can be carried out in accordance with the regulatory trends in each specific country.

#### 4. Activities in EU Countries

##### France:

A contract has been concluded with two of end of life vehicle management companies, in order to set up a network for the collection of end of life vehicle and parts which will extend to all Nissan dealerships in France.

##### Germany:

In conjunction with Renault, end of life vehicle collection network supporting all dealerships in Germany has been established by contracting approximately 200 dismantling companies.

##### The Netherlands:

Participating in ARN — an association made up of all importers — Nissan has contracted approximately 260 dismantling companies to perform the collection and recycling of end of life vehicles.

##### Sweden:

Nissan participates in the recycling project established by BIL (the Swedish automobile industries association) and has established a collection network which supports all dealerships nationwide.

##### Denmark:

We are participating in the waste management system established by the Danish government and consumers groups (including end of life vehicles).

##### Austria:

In Austria, Nissan has joined dealerships to set up treatment network for end of life vehicles.



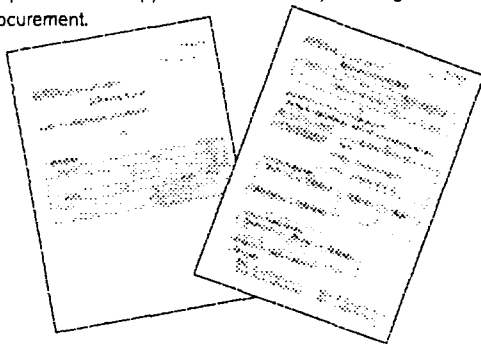
## 5 Others

### 1. Green Procurement

We provide our customers with automobiles — products comprising tens of thousands of individual components — and in order to protect the environment in every possible way, we take each of these components into account in our environmental activities. To reduce the total environmental impact of each product, full and unfailing consideration must be given to the components and materials that make up these products, and this must be done in cooperation with component suppliers. Furthermore, in order to ensure long-term environmental support, it is crucial that these suppliers also undertake their own environmental-protection activities. With the aim therefore of systematically reducing the environmental impact of our products and eliminating environmental risks in cooperation with our suppliers, we have presented these suppliers with the Nissan Green Procurement Guideline and have requested their understanding and cooperation with respect to the following three points.

1. Report data on substances with environmental impact
2. Obtaining ISO14001 certification
3. Notify Nissan of the person in charge of environmental activities

We will continue these activities in 2003 in our efforts to increase cooperation with suppliers and to further promote green procurement.



#### Reporting Data of Substances with Environmental Impact

When delivering components and materials (i.e., oils, paints, and chemicals, etc.) to Nissan, our suppliers take extreme care to ensure conformance with procedures for the management of substances with environmental impact — procedures which are based on this company's original technical standards. Naturally, Green Procurement confirms that substances prohibited by these standards are not being used; furthermore, usage volumes of substances which we have particularly determined to require special attention are ascertained at the development stage, and this allows alternative technologies to be developed at the earliest possible opportunity. Starting with our four new models (i.e., Elgrand, Fairlady Z, Cube, and Teana), Nissan carried out this type of investigation for all vehicles at the development stage in 2002. (See page 58 for details.)

Furthermore, in order that investigation and control may be streamlined and become more efficient, efforts are being made to create a database for all information relevant to components with environmental impact.

#### Obtaining ISO14001 Certification (Establishment of environmental systems by suppliers)

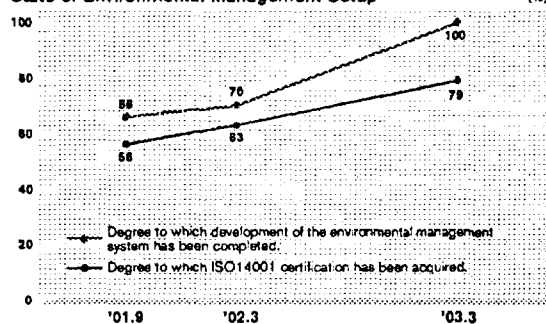
The advance elimination of environmental risk represents the optimum condition for protection of the environment, and the establishment of environmental systems by suppliers is crucial in ensuring that this condition can be maintained indefinitely. With this in mind, our suppliers were requested to undertake the following two activities:

(1) Develop environmental management system by March 2003.  
(Must be reviewed by initial environmental audit and by the management)

(2) Acquire the ISO14001 certification by March 2005.

As a result of these actions, all 300 suppliers have established the environmental management system targeted in (1) above. Approximately 80% of our suppliers (i.e., 237 companies) have now acquired ISO14001 certification, and independent efforts are underway with this aim at the remaining suppliers.

#### State of Environmental Management Setup



#### Notifying to Nissan of the Person in Charge of Environmental Activities (Advancement of efforts)

Notification of those persons with responsibility for environmental activities is received from our suppliers in order to promote Nissan Green Procurement activities within those companies and to increase Nissan's level of participation in other environmental protection activities. Furthermore, these environmental managers are required to take full responsibility for the reporting of data regarding substances with environmental impact, for the establishment of environmental management systems, and for obtaining ISO14001 certification. We also share information on our environmental activities and our product's environmental effect to our suppliers via their environmental managers, and this is done using environmental reports, model-specific environmental information, and other similar materials.

We will continue to fully implement beneficial communication for the purpose of improving environmental factors — for example, by reducing the usage of substances with environmental impact in our products. Furthermore, we will increase levels of interaction and communication with suppliers while paying even closer attention to the state of the environment.

## 2. Efforts on ITS (Intelligent Transport Systems)

ITS represents a new technological field where people, automobiles, and roads are brought together using state-of-the-art data communication and electronic technologies. In addition to improving both safety and convenience, this system is expected to contribute greatly to environmental protection through the promotion of smoother traffic flow. With the aim of achieving a more harmonious relationship between vehicle and society, Nissan is making wholehearted efforts in various ITS projects such as the advances navigation systems, the Electronic Toll Collection systems, and the assistance for safer driving.

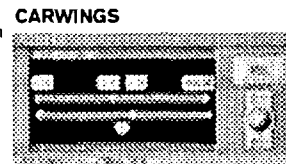
### ETC System (Non-stop electronic toll collection system)

ETC is a system which comprises an antenna installed at a tollgate and an ETC unit mounted in the vehicle. This vehicle-mounted unit communicates by radio with the tollgate antenna so that tolls may be paid automatically, thus allowing the driver to pass through the gate without stopping at a tollbooth. The widespread deployment of this system is expected to both reduce traffic congestion and to improve environmental factors in the vicinity of tollgates. Complex fare-setting systems are now possible with ETC, and as a result, this system is beginning to see usage in the control of traffic demand. One such application is environmental road pricing whereby traffic passing through residential areas and the like is redirected along alternative routes. Nissan is actively involved in expanding the usage of ETC, and we currently retail both built-in type ETC products which are integrated with car navigation systems (a manufacturer-installed option) and dashboard mounted products (a dealer-installed option).

### Data Provision Service

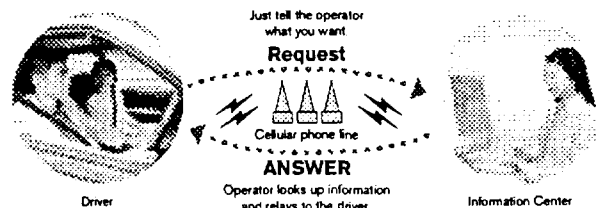
Car navigation systems provide drivers with the most up-to-date information regarding traffic conditions on the route to their intended destination, and it is expected that these systems will

help to reduce travel times, alleviate congestion, and improve traffic flow. VICS (Vehicle Information and Communication System) uses radio or infrared-beacon transmitters located on the roadside or uses FM broadcasting to provide drivers with real-time information on congestion, traffic accidents, road works, traffic restrictions, and other similar conditions. By combining VICS information with BIRDVIEW<sup>®</sup> Navigation, drivers can now reach their destinations in a smoother and more convenient fashion. CARWINGS is a total telematic service which connects with the vehicle via a cellular phone in order that a wide range of data may be provided; furthermore, an operator-type, driving support service known as Compass Link makes use of both car navigation systems and cellular phones. Through the application of these Nissan systems, we provide drivers with the data which is necessary for driving, and by setting routes to the destination and performing other similar tasks, we are promoting the realization of a more-comfortable, more-convenient transport environment.

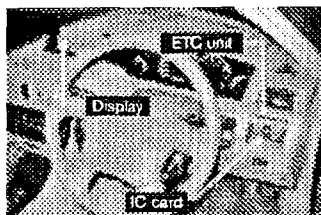
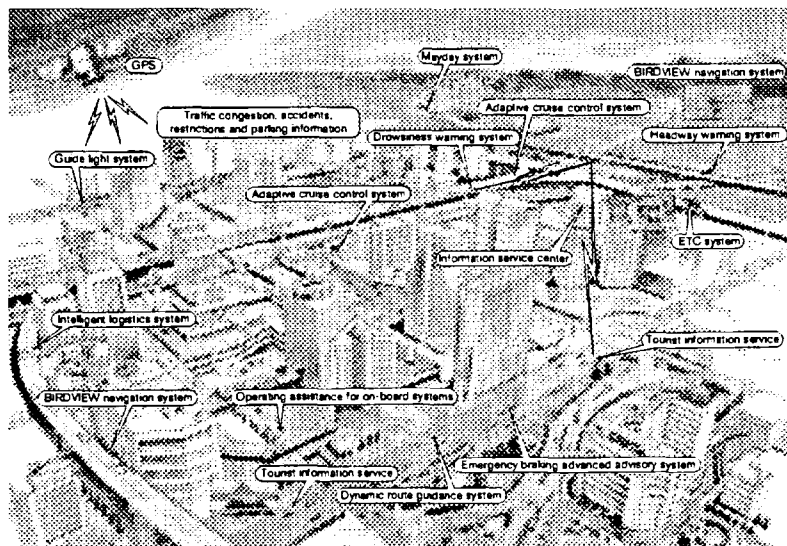


### Overview of the Compass Link System

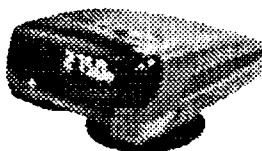
Connecting the vehicle and the Information Center using cellular phone lines, this totally-new service system allows the driver to communicate his or her inquiry verbally to an operator who can then provide the necessary information. Any relevant information can be sought from the system's operators.



### Conceptualization ITS of Society



Built-in type ETC unit



Dashboard-mounted ETC unit

### 3. Environmental Survey and Research

Nissan had actively participated in the Japan Clean Air Program (JCAP\*) and the associated projects to research and develop an air-quality simulation model until its completion in 2001. In addition to developing a model which could predict and evaluate the effect of auto mobile emissions and other sources on air quality in greater urban area as well as roadsides, the JCAP also achieved success in prediction of the effect of new long-term emission regulations and in many other fields. In the light of these results, JCAP II has started in 2002 with a 5-year plan to research and develop a more-advanced air quality simulation model. Nissan is continuing its participation in this program to make further contributions to improve the air quality environment.

\*: A project to improve air quality, organized by the Petroleum Energy Center with the support of the Ministry of Economy, Trade and Industry and the cooperation of the automobile and oil industries.

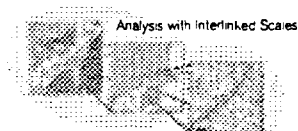
#### JCAP II Air Quality Simulation Model

R&D activities for JCAP II air quality simulation model are aiming to construct a highly-reliable model which may be put to use as an evaluation tool for environmental administration and research. Furthermore, this project is being carried out with the following topics:

- Roadside of urban main roads: Areas where further improvement of air quality is expected
- Real world: Incorporation of actual emission conditions
- Nanoparticles: A field which has been attracting attention in recent years.

The overall model comprises elemental models which predict traffic flow on both macro and micro scales; which estimate mass emission; which predict weather and air quality for regions from the extremely large area to the local urban; and which predict air flow and air quality for roadsides.

All the models are linked each other to compose a multi-scale model which can predict effect of exhaust gases in Eastern Asia area on air quality in urban roadside in Japan.



Conceptual Figure of Multi Scale Models

Further research is also being carried out with the aims of improving the accuracy of emission inventory through the surveying of real conditions, and of investigation and modeling of formation of nanoparticles.

Members of the automobile and oil industries, national research organizations, and other such bodies have been involved in stages from planning to practical implementation. Nissan is participating in the management of model development and in the development of roadside air flow and quality simulation model, in particular. During 2002, new technologies was introduced and developed in each elemental model, and an overall framework was constructed. Practical application and verification are planned for 2003 and onward.

### 4. Green Office Program

In May 1990, Nissan became the first company in the auto industry to use recycled paper for catalogues and office supplies. In October that same year, we launched a program to collect and recycle used paper.

Since February 1998, we have advanced the Green Office Program throughout the company to do what we can do on the office and personal level to prevent global warming and reduce CO<sub>2</sub>.

#### Green Purchasing of Company Vehicles

We began green purchasing company vehicles from 2001. We are aggressively implementing low emission vehicles. In the NTC area, we purchased two CNG busses for commuters.



#### Green Office Program

##### Promote green purchasing

Purchase environmentally friendly products

Manual printed on recycled paper (internal standard)

Greater use of recycled paper (e.g., catalogues, and copier and printer paper)

##### Energy conservation activity and effective use of energy

Set the air conditioner to proper temperature

Turn off lights during lunch break and after business hours

Turn off unnecessary power

Reduce power consumption of office equipment

##### Reduce paper usage and promote recycling

Reduce the number of sheets used for copiers and printers

Promote recycling by extensively sorting wastes

Use electronic media such as intranet and e-mail

##### Foster and support social service and employees' social awareness

Contribute to environmental and nature protection organizations

Company and employees participation in society

Hold environmental protection seminars

##### Internal education and internal and external communication

Education by internal newsletter and intranet

Promote outside PR by Internet

### 5. Environmental Protection in Industrial Machinery Business

In Nissan's field of operations which deals with forklifts and other products of industrial machinery business, we are taking the initiative in the industrial vehicle industry by working proactively in the development and commercialization of new technologies which reduce the load placed on the environment, while at the same time, we continue to coordinate efforts with our automobile operations.

#### Cleaner Exhaust Gasses

Battery-powered vehicles have a small environmental impact, and particularly in urban areas, there has been a rapid increase in the use of these vehicles over recent years. Meanwhile, persistent demands are also being made in terms of engine-powered vehicles, and efforts are underway to create cleaner exhaust gasses which offer higher levels of environmental protection.

#### Sale of Low Emission Forklifts

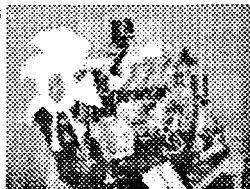
(Gasoline, LPG, and diesel vehicles)

In the United States, we have fitted our 1-to-3 ton J01/J02 forklift trucks with an electronically-controlled fuel injection engine (and this can be used with gasoline, LPG, or a combination of gasoline and LPG). Designed with the intention of achieving cleaner exhaust gas and higher output levels than the currently-retailed engine — an engine which meets the California Air Resources Board regulations — this new engine was market released in May 2002 in the form of a new model variation.

Although retailing conditions became ever stricter with the introduction of the 2002 California Phase-in 50% regulation in the second year of the phase-in period, Nissan surpassed this level with 52% of our engines — be they for Nissan forklifts or for supply to other companies — thus meeting the requirements. In Europe, furthermore, our FE6 engine (6.9 liter, straight-6 DI), which

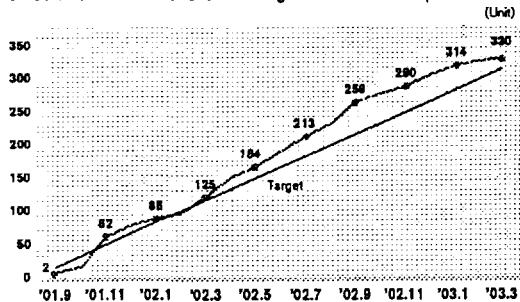


EDGE System catalog



FE6 engine

Sales Result of J01/J02 Clean-engine Vehicles in Japanese Market



meets the second-stage European diesel regulations, was fitted to our 5-to-7 ton F05 forklift and released in January 2003.

Our J01/J02 forklifts were released in September 2001 with engines which meet CARB regulations, and in terms of both the domestic market and standard export, these clean-engine vehicles (running on gasoline and LPG) have drawn the attention of environmentally conscious customers and industries; consequently, shipments of these models have exceeded forecasts.

#### Action in Support of Future Regulations

##### (1) Gasoline and LPG engines

No longer restricted to just California, exhaust gas emissions applicable to gasoline and LPG engines will be adopted by all states starting in 2004. These stricter regulations will demand deterioration durability and other additions, and Nissan will continue to comply through the development of new engines.

##### (2) Diesel engines

Second-stage regulations for diesel engines began in 2003 in both the US and EU; furthermore, similar regulations will also be implemented in Japan, beginning in October of this year. At Nissan, we will continue to develop and commercialize vehicles featuring engines which conform with these regulations.

##### (3) Global long-term exhaust gas emission regulations

Exhaust gas emission regulations originating in the US and EU are currently expanding globally in response to environmental issues; accordingly, it is expected that these regulations will become stricter and that the number of countries implementing them will increase. Nissan will investigate global trends in terms of emission regulations, and through participation in working shops and the like from the earliest stages of regulation studies, we will continue to both support environmental protection in terms of technology, and to carry out research and development to this end.

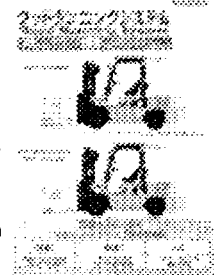
#### Regulations Trends

Engine	Exhaust Gas Emission Regulations	Implementation
Diesel	EU & US 1st stage diesel regulations	1997 and onward
	EU & US 2nd stage diesel regulations	2003 and onward
	EU & US 3rd stage diesel regulations	2007 and onward
	Japanese diesel regulations	October 2003 and onward
Gasoline / LPG	US regulations (California)	2001 and onward
	US 1st stage regulations (nationwide)	2004 and onward
	US 2nd stage regulations (nationwide)	2007 and onward

#### Reduction of Noise Pollution

Retail of Reduced-Impact Forklifts (Good Running System) (Engine-powered and battery-powered versions)

As a result of vibration transferred from the road to vehicles, forks produce noise by rattling, thus exposing the surrounding area to unpleasant noise pollution. In order to reduce the level of this pollution, Nissan released the new Good Running System as a special equipment in July 2002. Specifically, this system silences the rattling of forks, suppresses the degree of shock transferred from the road to cargo, and in addition, it even prevents vibration being transferred to the driver.



Good Running System catalog

# 3 | Social Performance

## 1 Compliance

At Nissan, we promise to obey the laws and municipal ordinances of all the countries in which we do business and act on norms we lay down so that we can completely fulfill the corporate responsibilities to society and to operate under highly transparent and fair corporate activities.

### 1. Standards of Behavior

In 1998, Nissan Motor enacted "Standards of Behavior for Nissan Employees" and distributed it to all employees.

These standards give employees positive and concrete guidelines for (1) Relations with local society, (2) Relations with supplies, (3) Relations between the company and employees. It also explains how employees should behave not only as part of the corporation but also as part of society. In 2001, we introduced the "Nissan Global Code of Conduct" in order to consistently treat customers, employees, shareholders, suppliers and communities with honesty, integrity, fairness and respect with sharing common standards of value through the entire global Nissan group. All our employees working in the Nissan Group around the world received the "Nissan Global Code of Conduct" together with a message from our company president.

### 2. Compliance System

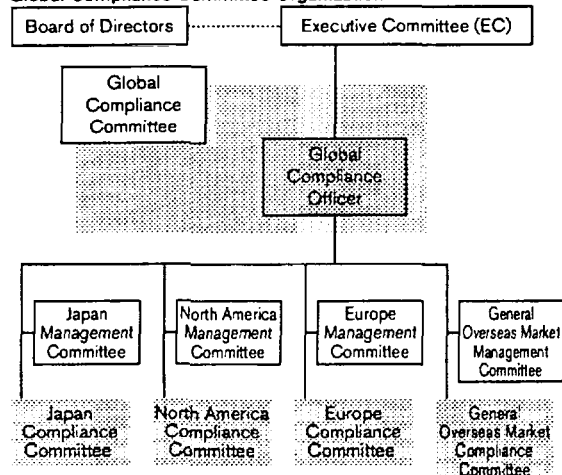
At that time, compliance committees were also established as the concrete system and measures for observing the code of conduct behavior. Under the leadership of the global compliance officer, global and local compliance committees have been held respectively. The duties of the compliance officer are, through the committees, to investigate and make decisions concerning conduct in violation of the code of conduct, to establish and revise

compliance program including code of conduct in the broad sense of the term, together with relevant departments as necessary and to carry out periodic educational activities broadly for all employees and for top management continuously.

### 3. Moving Compliance Forward

From 2002, under the guidance of the compliance committees, Nissan started the Easy Voice System to make it possible for employees of the Nissan Group to easily express their opinions, questions, and aspirations concerning compliance. In FY 2003, this Easy Voice System will be implemented into other corporations within the corporate group as well in Japan. From the perspective of training, in order to inculcate further awareness and understanding of compliance among employees, Nissan has provided training opportunities regarding compliance including code of conduct, both for newly hired employees and newly promoted managers. Information concerning compliance is constantly provided to all company employees through the company's intranet. In FY 2003, compliance measures will be developed in an ongoing manner, for example providing further compliance education globally, so that we can continuously grow as a truly excellent global company.

Global Compliance Committee Organization



Global Code of Conduct for NISSAN Group

Principle	Global Code of Conduct
Nissan shall consistently treat customers, employees, shareholders, suppliers and communities with honesty, integrity, fairness and respect. The following standards apply to all employees in NISSAN group companies (collectively herein referred to as "Nissan" or "Company"). Each member of the Company is charged with responsibility to uphold and extend this code of conduct.	1. Comply with all laws and rules
	2. Avoid Conflict of Interest
	3. Preserve Company Assets
	4. Be Impartial and Fair
	5. Be Transparent and Accountable
	6. Value Diversity and Provide Equal Opportunity
	7. Be Environmentally Responsible
	8. Be Active; Report Violations

## 2 Communication with Customers

In line with our policy of "Not making customers wait", we provide our customers with prompt and accurate information. Based on the motto, "Everything for the customer", we reflect customers' voices on corporate activities to win the trust and meet the expectations of customers.

### 1. Customer Voice Center

Our customer desk has a long history. It began in April 1984, ahead of other companies and before consumers began to notice. In April 2002, we founded Customer Voice Center, which is composed of a customer desk, a section that feeds back customer's comments within the company and promotes improvements, and a section that promotes customers' satisfaction with dealers around the country.

Customer Voice Center lends an open ear to customers, analyzes customer information, and provides better feedback to other departments in the company and to group companies (i.e., to strengthen the check function from the viewpoint of customers).

Another mission of Customer Voice Center is to make better use of customer information in improving the degree of satisfaction with products and dealers.

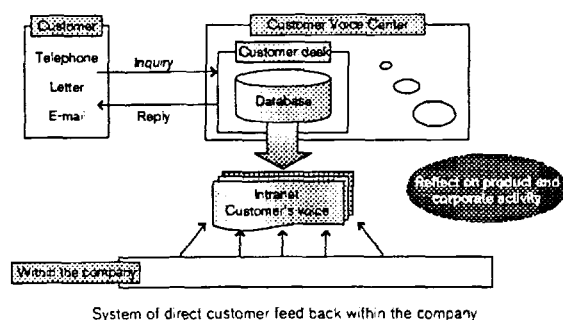


Customer Voice Center

### 2. Improvement of Customer Desk

Customer desk accepts individual letters and e-mails in addition to telephone calls. To further improve convenience for customers who contact customer desk by telephone, we now accept toll free calls from cell phones and PHSs.

For customers who wish to contact us via e-mail, we have created an inquiry page post office on our website. This feature allows customers to send mail to us from the web site after reviewing the FAQs.

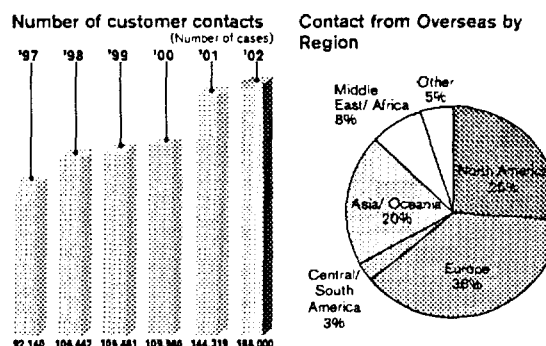


On Saturdays, Sundays, and holidays, we set up Nissan Information Center that responds to purchasing questions from customers.

Nissan serves its customers through customer desk and Nissan Information Center with priorities on "Being readily accessible", "Providing prompt and accurate answers", and "Providing service that satisfies customers".

### 3. Reflecting Customers' Voice

With the improvements at the customer desk, the number of customer contacts has increased every year. In 2002, we received 166,000 contacts (up 115% from the preceding year). Also, although National Sales Companies handle overseas customers in their respective areas, there are also cases in which the voice of overseas customers reaches Nissan headquarters directly. Every year, company headquarters hears from over 1,000 customers in over 100 countries, 64% of which in North America or Europe.



All the comments received from customers in Japan are filed in a database, and can be reviewed by all employees, including officers, on the intranet the following day.

This system allows any employee to search and understand customers' requests and interests. The employee can also use the new Customer Voice Center Feedback Section to study customers' needs in greater depth and reflect the findings on products and other company activities.

#### Customer desk

Toll-free: 0120-315-232

Mondays through Fridays (excluding holidays) 9:00 - 12:00, 13:00 - 17:00

Nissan Information Center

Toll-free: 0120-838-232

Saturdays, Sundays and holidays 9:00 - 12:00, 13:00 - 16:00

Post Office:

<http://www.nissan.co.jp/POSTOFFICE/>

## 3 Corporate Citizenship

Our world is undergoing a dramatic change, from an industrial society to an knowledge-based society. It has been Nissan's wish to be a company capable of transforming itself in pace with the changing times. As a member of the new society, we wish to remain as a company that creates values in society. These wishes led to the creation of a specialized department in January 1991 to advance philanthropic activities. As people nowadays create various values and lifestyles, Nissan has searched for issues in society where it can help and has dynamically worked on solutions. We also wanted this activity to serve as an opportunity to expose the company and employees to real life conditions in society. In the ten years since the outset of this program, we have developed and continue independent programs with various NPOs, artists, and volunteers who are pioneers in their fields and who have the expertise to tackle social problems. This is an investment in the society of the future. We want to make our society a better place to live in. To this end, we will continue our bold challenge with the understanding of our stakeholders.

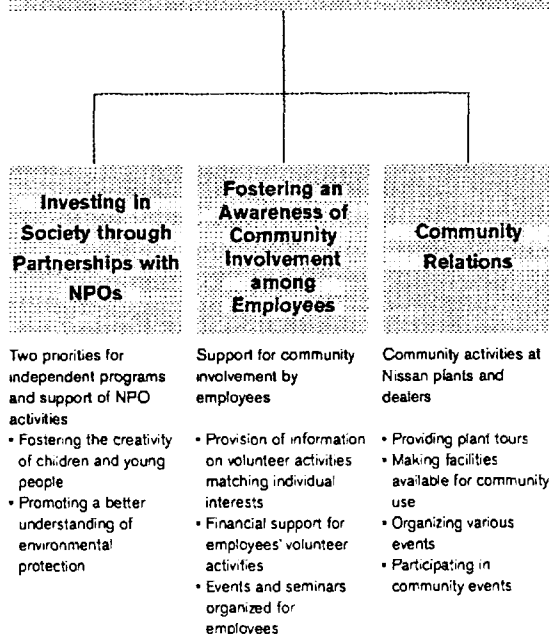
### Nissan's Investment in the Future

#### HP Corporate Citizenship Activities of Nissan Motor Company

### 1. Overview of Corporate Citizenship Activities

#### Our Mission: Investment in the Future

To find people with their eyes on the future and provide them with the opportunity to experiment on, experience, and evaluate the kind of society that humanity wants to be a part of, and to make meaningful contributions to the creation of societal values through programs that foster diversity and promote the participation in society of the employees of Nissan.



### 2. Investing in Society through Partnerships with NPOs

We want to take part in building an energetic society that accepts diversity. By forming partnerships with NPOs that have taken the initiative in tackling various social problems, we are investing in society through social participation activities.

In order to tackle social issues deeper and more effectively, activity is limited to two fields, in which Nissan develops and executes its own programs in partnership with NPOs.

In supporting NPOs, Nissan's basic posture is "Participation in planning", "Capacity for growth", and "Continuity". Nissan has established and implements criteria for supporting NPOs.

#### Partnerships with NPOs (Support criteria)

##### Priorities

- ① Fostering the creativity of children and young people.
- ② Promoting a better understanding of environmental protection.

##### Nature of supported activities

Activities deemed important for society's future development and expected to grow in the coming years, even though they may not be widely recognized at present.

##### Relationship with supported activities

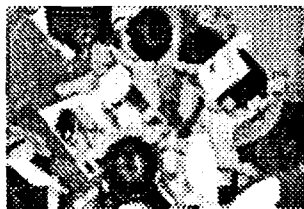
- Activities should be mutually inspiring and facilitate mutual growth.
- Activities should allow direct communication with Nissan without a third-party intermediary, and the results should be mutually confirmable afterwards.
- They should be ones that Nissan employees can also participate in and enjoy.
- Nissan's support ends, once the intended objectives are achieved.
- As many different organizations as possible are considered in the selection of activities to be supported.

##### Period of support

As a rule, Nissan provides support for three to five years so as to enable activities to continue and develop over time.

#### ① Nurturing the Creativity of Children and Young People

**Nissan Children's Storybook and Picture Book Grand Prix**  
Since 1984, Nissan has held contests every year for amateur authors of children's story books and picture books and has published the award-winning works and donated them to libraries. This contest, which is held in collaboration with the International Institute for Children's Literature, Osaka, attracts approximately 4,000 entries from around the country every year. Entries that are awarded the Storybook Grand Prize and Picture Book Grand Prize are published and donated to about 3,500 libraries around the country through our dealers and about 700 kindergartens and nursery schools through our branch offices. In all, we have donated more than 100,000 books. Due to the nature of commercial publishing, new authors may encounter various obstacles in Children's Literature. Providing the Grand Prix winners a privilege to have their works published will be a

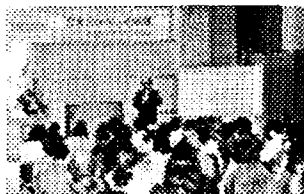


Donation of books to kindergartens near branch offices

variable opportunity to start a professional career. Works that finish in the upper places in this contest are recognized for their excellent quality. Today, the contest is considered as a gateway to success for new authors.

#### Nissan Storytelling Circle

Folktales are valuable assets that tell how people grow. As folktales are told verbally, the listener uses his or her imagination and creates their own images in their minds. We have held lectures to foster the understanding of the significance of folktales with our dealers since 1992.



Lecture

#### Nissan Joyful Storybook and Picture Book Exhibition

This event has been held at the National Children's Castle in Aoyama, Tokyo since 1992, in the corporation with the staff specialists at the National Children's Castle. In the exhibition, some workshops for children are also held, as well as the introduction of the children's storybooks and picture books, and Nissan employee volunteers and children together enjoy the experience of being creative in the workshops. Some materials at Nissan are recycled to make exhibits for display and for use workshop materials. Nissan employees knowledgeable in design and craftsmanship also take part in conducting the workshops, and those makes the



most of the company's position as a vehicle manufacturer. This exhibition is now a popular spring break event, attracting some 30,000 children and parents every year.

#### Saito Kinen Festival in Matsumoto-Concert for Children

Since 1992, Nissan has supported the free concerts that Conductor Seiji Ozawa and the members of the Saito Memorial Orchestra hold for the children of Nagano Prefecture where the festival is held.



Photograph © Hironobu Hosogaya

#### Hans Christian Andersen Awards

Since 1992, Nissan has been the main sponsor for the "Hans Christian Andersen Award", which is called the "little Nobel Prize" for children's books. This award is presented once every two years by the International Board on Books for Young People (IBBY) and is given to a writer and illustrator who have made significant contributions to the field of children's literature through their creative activities.



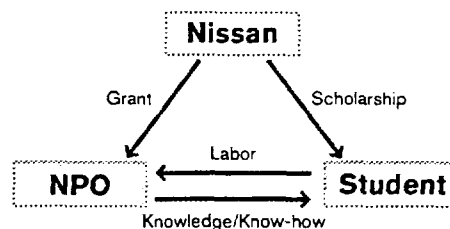
Photo courtesy of Asahi Shimbun Co., Ltd.

#### Nissan-NPO Learning Scholarship Program

Through this program, we invite applications from students who wish to work for NPOs, select the successful candidates, and pay them scholarships according to their work accomplishments. The program was begun in 1998 as a new experiment to develop people in partnership with NPOs. The purpose of this program is to provide the leaders of the next generation with intellectual experience. Host organizations that provide internships to scholarship students are NPOs in diverse fields engaged in resolving varied social issues with a pioneering spirits, specialized disciplines, and excellent leadership. The students can develop their "creativity," "ability to think for themselves" and "capacity for self-initiated action" by accumulating career experience at NPOs. We receive applications from over 100 students every year. Of these, approximately 20 are awarded scholarships to work in NPOs in various fields including environment, international exchange, culture, arts and welfare.



A student receives a certificate of completion from Nissan president Carlos Ghosn



## ② Promoting a Better Understanding of Environmental Protection

We feel that it is important to see environmental protection as familiar activities rooted in everyday life, while maintaining a global vision. Besides supporting the activities of environmental NPOs that conduct specialized activities as pioneers, we hold seminars



As a facet of children's environmental education, Ecosystem Conservation Society-japan organizes the All-Japan School Biotope Contest

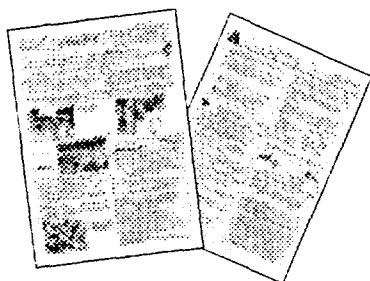
and events with the help of NPOs to help our employees gain better understanding of environmental protection. It also cooperates in environmental education by, for example sending its staff to give classes as part of its efforts to support integrated learning at elementary schools.

## 3. Fostering an Awareness of Community Involvement among Employees

Company employees are now expected to take part in social activities as citizens. Seeing real life conditions in society through social activities and developing social and cultural knowledge is an important opportunity for corporate employees to become well rounded individuals. Nissan has a program to give employees the opportunity to voluntarily participate in social activities.

### TRY-ANGLE: Providing Information on Community Involvement

This volunteer information system was implemented in 1993. We ask employees and family members who are interested in volunteering, but do not know how to get started, and those who want to volunteer, but do not have the opportunity to do so, to register for areas of activity that interest them, and provide them with the latest information on the registered fields.



Social and cultural activity newsletter H1MAGINE  
First published in 1992. It is distributed to employees who have registered for TRY-ANGLE and is also introduced on the intranet.

### Nissan Financial Support Program for Volunteer Activities

This program, which began in 1996, financially supports employees' volunteer activities. When an employee makes a donation, the company donates a matching amount (matching gift). When funds for volunteer activity or purchase are short, the company provides the amount. This encourages and promotes employees' voluntary social participation and donation activities.

### Events Involving Employee Participation

When Nissan supports the activities of NPOs, employees are given the opportunity to take part. We also provide various lectures for employees so they can acquire the knowledge required for volunteer activities.



Nissan assists 'Art-Link Ueno - Yanaka' and carries out an art tour for Nissan employees.

### Donation Drive After a Disaster

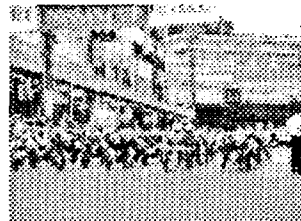
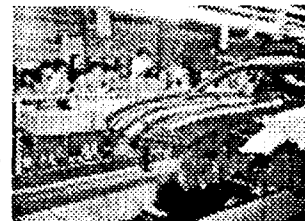
Collections are taken up among the employees to raise funds for supporting the victims of natural disasters such as earthquakes, as well as the victims of the September 11 terrorist attacks in the United States, Afghanistan refugees and others.

## 4. Community Relations

At Nissan, we want to be a valued member of our communities.

All Nissan plants and offices undertake a wide variety of community involvement activities in an effort to forge closer relations with local residents.

As one part of our activities for supporting social studies in school, our plants provide plant tours for approximately 140,000 primary school students each year.



Oppama Plant and the local community collaborate to hold a wheelchair half marathon called Nissan Cup Oppama Championship. Besides lending the facility for use as racecourse, approximately 900 employees work as volunteers to support the event.

## 5. Corporate Philanthropy of the Nissan Group Companies in Overseas

### <U.S.> Nissan North America, Inc. (NNA)

Based on our conviction that "community develops when the people enjoying social and economic stability and adequate education", Nissan makes a variety of "investments" in local societies.

#### • The Nissan Foundation

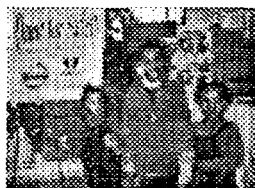
The foundation supports education programs that promote the understanding of diverse cultures in the United States.

The foundation also seeks to maximize its investment in the community by enhancing career potential for young adults in the automotive industry.



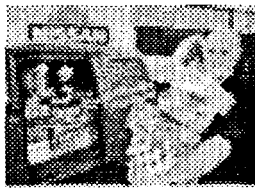
#### • Quest for Safety

This program partners with local NPOs to provide free safety education seminars in community centers across the country and distributes tools for promoting the use of child safety seats to medical facilities across the country.



### <Europe> Nissan Motor Manufacturing (UK) Ltd. (NMUK)

- Nissan provides an office in its plant to the BEN philanthropic foundation. Company employees also carry out charitable activities and support this organization.
- Every year, company employees carry out volunteer activities in which they pack up Christmas presents for less fortunate children around the world. NMUK pays for shipping these presents.
- NMUK holds "Industry days" in cooperation with local companies. This provides children with the opportunity to learn about local industry and occupations through group work. Also, company employees serve as councilors for troubled children to support local schools.



In addition, at Nissan bases throughout Europe, Nissan carries out various activities contributing to society according to the needs of each country.



Providing vehicles to disaster areas (Germany)



Supporting orchestra concerts (Czech Republic)

## 6. Nissan Science Foundation

Nissan established the Nissan Science Foundation to contribute to academic advancement and cultural development in Japan. Currently directed by Carlos Ghosn, President & CEO, the Nissan Science Foundation was founded in April 1974 to commemorate the 40th anniversary of Nissan. Since then, the foundation has provided research grants for basic research in the fields of environmental and natural science, has provided research grants for workshops that are held a few times a year to cultivate new research territory, and has aided new experiments in science education.

The foundation had awarded approximately ¥5 billion in grants up to 2002.

In 1993, Nissan established the Nissan Science Prize to commemorate the foundation's 20th anniversary. This prize acknowledges the achievements of leading researchers below the age of 50 who have made outstanding contributions to their academic fields, including environmental science. The foundation's assets totaled approximately ¥6.4 billion at the end of March 2002.



Nissan Science Foundation

### Awards and Grants Presented in 2002

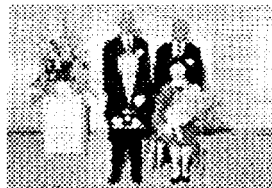
Nissan Science Prize: 1 recipient

Professor Hiroshi Hamada (University of Osaka)

- Molecular mechanism underlying morphological asymmetries.

Nissan Research Grant: 31 recipients

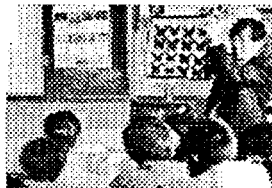
- The interdisciplinary study on collaboration and scientific techniques for nature restoration.
- Basic study on the influence of electromagnetic field to the creature under living environment.
- Intelligent learning environment for activation of Meta-cognition, and others.



Presentation of Nissan Science Prize



Presentation of Nissan Research Grant



Science education subsidized lesson scene: Teaching by university professors in primary schools



Science education subsidized lesson scene: Meteorology teaching material development workshop for primary, middle, and high school science teachers

## 4 Health and Safety

### 1. Basic Objectives of Health and Safety Management

Nissan undertakes proactive safety and health activities annually to work toward eliminating industrial accidents, occupational illnesses, and traffic accidents.

Nissan believes that safety, quality, and productivity are all closely interrelated and makes every effort to improve facilities, working environments, working procedures, and educational activities to ensure a comfortable and vibrant workplace and the continued safety and health of all employees.

### 2. Ties with Overseas Production Plants (Global Health and Safety Subcommittee Activities)

Activities started from FY 2002 with the goals of mutual improving health and safety management levels while exchanging information about activities, fire and disaster information, disaster plans, etc. and of ensuring the safety of overseas trainees. In principle, overall councils are held twice a year, once at a Japanese plant and once at an overseas plant.

In FY 2002, the overall councils were held in May (held by Japan) and March (held by Spain).

Also, in August, activities that have born fruit within Japan (SES&KY) were presented at the the Mexico plant at its request.



Point and call practice at the Mexico plant

### 3. Ensuring Work Safety

In FY 2002, as the result of tackling accident prevention, primarily through "Activities for Raising the Sensitivity to Danger in Individuals" and "Safety Management Diagnosis through SES", the total number of accidents (total accident ratio) was the best in the automobile manufacturing industry for the second year in a row.

Avoiding accidents due to human error

The KY (the risk prediction) step diagnosis technique, which helps our employees to become more aware of potential danger, started in all workplaces in 1998. As the technique has been advanced as scheduled, we have reduced the number of accidents caused by inadequacy of risk prediction near 70% compared to 1998.

In 2003, we will implement KY activity into action including non-

stationary operation to further improve the danger awareness of each individual.

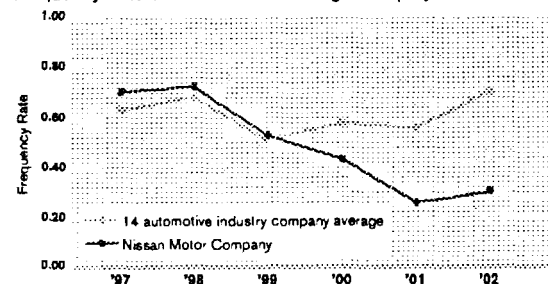
When non-standard work arises, stopping the work, calling the superior, and waiting for the superior's instructions are the best ways to prevent an accident. "Promoting Safety-Related Activities", a management technology textbook for supervisors, clearly states that it is the supervisor's job to make sure that all of his or her subordinates follow the "Stop", "Call", and "Wait" steps. The supervisor personally follows the steps to reduce the number of accidents during an irregular process.

In 2003, we will make our facilities even safer in addition to complying with the Stop, Call, and Wait rules to reduce the number of accidents due to human errors.

### Improvement of Safety Management Levels with SES

The Safety Evaluation System (SES), developed independently by Nissan in 1997, is a method for evaluating safety management. We have raised the target level of SES every year to improve safety management levels throughout the company. Because 36% of the accidents that occurred in 2002 were imputable to reasons not covered under SES, we will review the SES evaluation items in 2003, and further improve the level of safety management.

Frequency Rate of Accidents Resulting in Employee Absence



FY 2002 Company Health and Safety Poster Contest Award

#### 4. Health Management Activities

##### Maintaining Employees' Health

Since 1998, healthy worker rate — those regarded as healthy according to the results of their medical examination — has been used as an index of health management. The health management target is to keep the same rate from the previous year.

In 2002, THP (Total Health promotion plan) was conducted primarily among healthy employees aged 30, 35, 40, and 45 to prevent healthy employees becoming ill.

For employees whose health monitoring reveals health conditions that could be improved through better diet and exercise, individual guidance is given on how to improve their lifestyle, exercise, and eventually they move out of the group of those at risk of poor health.

As a result, the rate of healthy employees was 68.01%, the same level as the preceding year.

In 2003, we will improve the follow-up service for employees in the group at risk of lifestyle-related diseases and continue our activities to prevent employees from becoming ill. At the same time, we will offer health guidance and nutrition guidance to ill employees to restore their health.

##### Internal Mental Health Service System

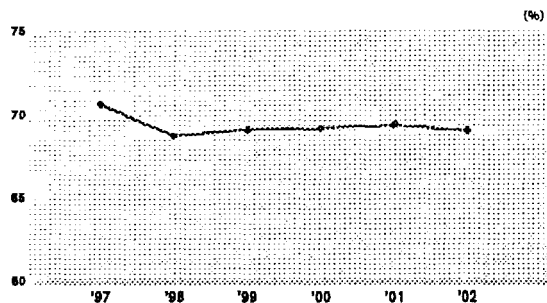
Mental health has become an increasingly important aspect of employee welfare. Due to the mental health training provided primarily to managers and supervisors, and the improvement in counseling services, there is an increasing awareness of the importance of mental health in the company. Today's system also makes it easier for employees to seek advice concerning mental health.

In 2003, we will improve mental health service by starting an activity to teach self-care techniques to handle stress, such as education to spread autogenic training.



In house nutrition consulting

##### Change in Healthy Worker Rate



##### Dissemination of First Aid Skills

The dissemination of first aid skills facilitates the emergency action that can save precious human lives. Nissan therefore educates its employees to give first



CPR training course

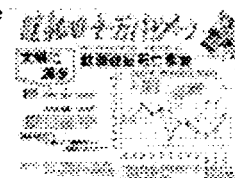
aid until a doctor or ambulance reaches the accident site. As part of the dissemination activity, we train in-company first aid instructors. These instructors then teach employees mouth-to-mouth resuscitation and cardiac massage by using a first aid text and cardio-pulmonary resuscitation dummy and by following the first aid lecture standard curriculum (3 hours).

#### 5. Traffic Safety Activities

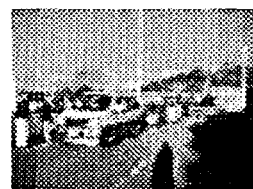
Every Nissan employee must always be aware that he or she is a member of an automobile company and that he or she is responsible for acquiring correct driving knowledge and driving manners and serving as a role model for customers.

The rate of employees' traffic accidents while commuting is on the decline as a result of the traffic accident prevention activity taking root at each business unit with the cooperation of the labor union. Through the activity, we have focused on commuting hours, prepared standard commuting route instructions, provided onboard instructions, and prepared accident maps around plants.

We will continue an activity with an emphasis on preventing accidents during commute under the active guidance of managers and supervisors in 2003. Namely, each business unit will undertake an activity that takes into account the local traffic environment, introduce an activity that has been successful at another business unit, and advance these activities with the cooperation of the labor union.

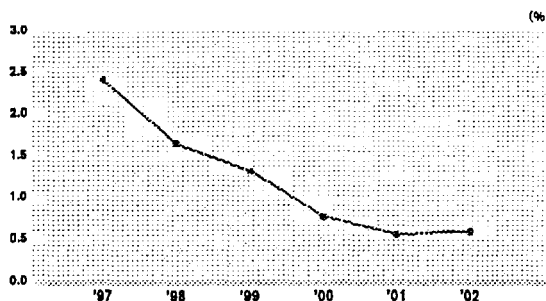


Nissan spring Hello Safety Campaign poster



Traffic safety activity

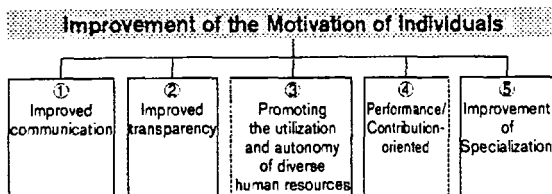
##### Change in Rate of Traffic Accidents During Commute



## 5 Policy for Employees

### Basic Concept

Employees (human resources) are the greatest assets with which Nissan can materialize its vision, "Nissan: Enriching people's lives". We are improving our human resources system because it is the support tool that can maximize the benefits of human resources. Specifically, we will design and manage the system based on the following perspectives:



From FY 2001, the Human Resource system for managers has been improved and each system is being reviewed in order.

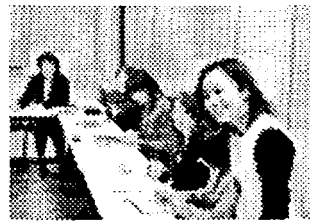
### Reliable Promotion of Human Resources Development Cycle

While clear targets (vision and business plans) are shared and communication is made closer, the following cycle is moved through to create a win-win relationship that provides both increased corporate value and improved employee satisfaction.

### A Diverse Sense of Values and Autonomous Careers of Individuals are Supported

From April 2003, specialized career coaches have been assigned within the Human Resources Development Department in order to improve the environment for individual career consultation and for placing the right person in the right position. In particular, with the human resources system being designed to utilize the individual

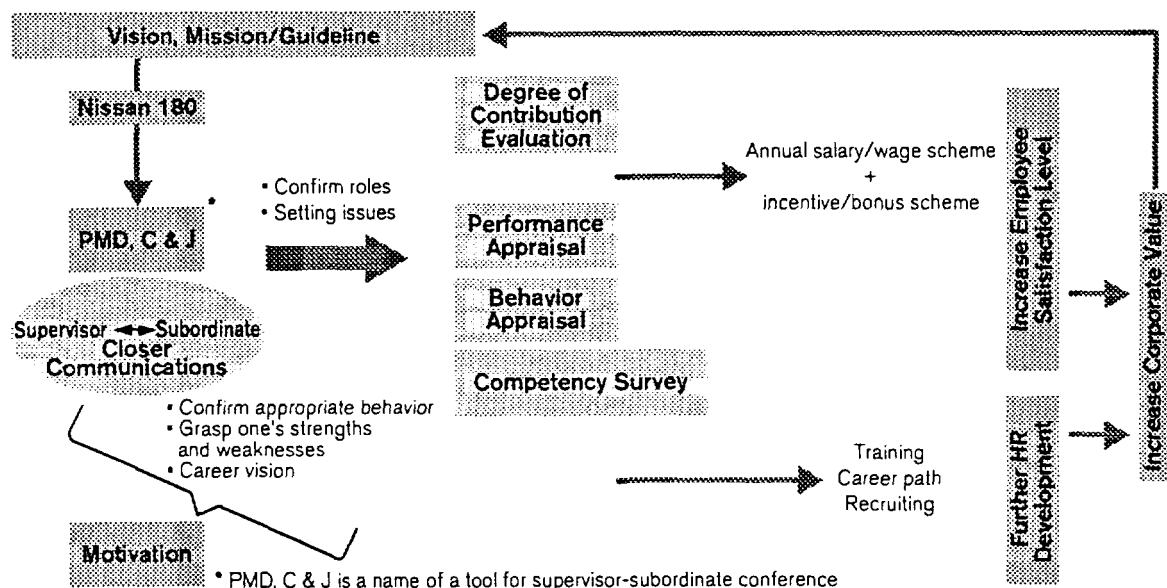
strength, the human resource database will be developed. The diversity project that started the year before last is entering its third year, and it is at the new stage to appreciate diverse sense of value.



Active discussion at the kick-off ceremony for the third year

Concretely, the followings have already been introduced and we are working on improving working conditions, including with support for childcare.

Items	End of March 2002	April 2002
Child-care leave	Until infant reaches one year of age	Until the end of March after the infant reaches one year of age
Shortened working hour	Exemption from the first one hour of work and the last half hour of work (for child under 1 year of age)	The work period can be shortened as much as 3 hours per day in units of one half hour (until the end of March after the child reaches 3 years of age) April 2003 Until the end of March after the child reaches 6 years of age; for nursing care, no age limit
Family and medical leave	None	Days for the pregnant, child or family members in need for care going to see a doctor or staying at home for care are allowed as days off (Up to 10 such days per year; unpaid)

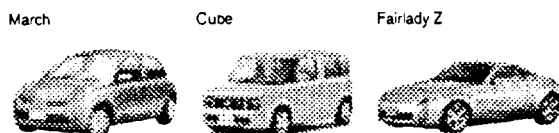


# 4 | Data and Reference

## Environmental Data of Main Plants

### Major products

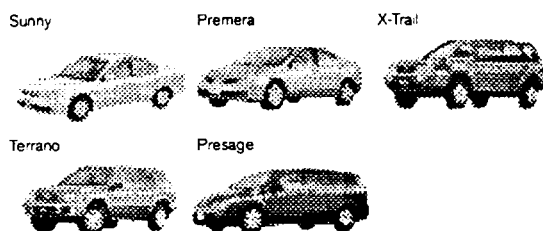
#### Oppama Plant



#### Tochigi Plant



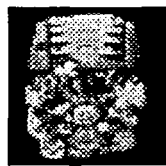
#### Kyushu Plant



#### Yokohama Plant



QR25/OR20 engine



VK45/VH45 engine

#### Iwaki Plant



VQ engine

## Oppama Plant Received ISO14001 certification: May 1997 237-8523 1 Natsushimacho, Yokosuka-shi, Kanagawa-ken

### Environmental Slogan

Promoting activities and plant operations that successive generations will be proud of by aggressively tackling global environmental problems.

### Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NOx	Boilers	105	80
	Heating furnaces	130	63
	Incinerators	240	140
Soot and dust	Boilers	0.1	0.002
	Heating furnaces	0.1	0.003
	Incinerators	0.1	0.029
Dioxins	Incinerators	1	0.17

Unit: NOx: ppm; Soot & dust: g/m<sup>3</sup>N; Dioxins: ng-TEQ/m<sup>3</sup>N  
Measured values are the maximum measured values in FY 2002

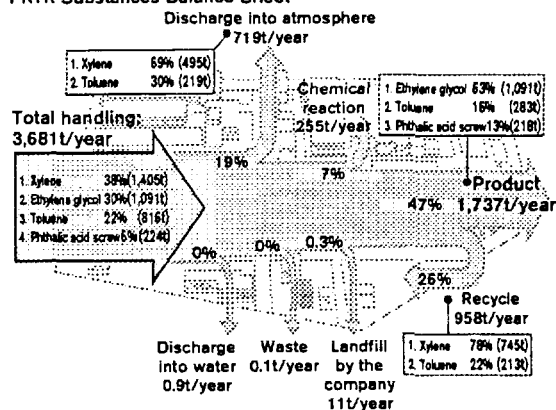
### Wastewater Quality (Water Pollution Control Law and other ordinances)

Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5.8~8.6	7.6	7	7.2
COD	60	9.8	7	8.5
COD (total)	76	35.8	12.9	25.7
BOD	60	ND	ND	ND
SS	90	2	ND	0.25
Oil	5	2	ND	0.02
Zinc	5	0.41	0.09	0.2
Fluorine	15	2.3	1.3	1.84
Copper	3	0.03	ND	0.02
Cyanogens	1	0.01	ND	ND
Lead	0.1	0.03	ND	ND
Nickel	1	0.3	ND	0.13
Soluble manganese	10	0.1	ND	0.05
Total nitrogen	60	28	9.6	20.8
Total phosphorus	8	0.9	ND	0.25

● Measurements of items other than those listed above were below minimum quantifiable limits

● ND indicated values lower than the minimum quantifiable limit

### PRTR Substances Balance Sheet



**Tochigi Plant** Received ISO14001 certification: December 1997  
329-0692 2500 Kamigamo, Kaminokawa-machi, Kawaguchi-gun, Tochigi-ken

**Environmental Slogan**

Working together to protect the precious nature and its water resources.

**Air Quality (Air Pollution Control Law and ordinances)**

Substance	Facilities	Legal Limits	Measured Value
NOx	Boilers	190	130
	Diesel engines	950	920
	Heating furnaces	230	12
	Incinerators	300	51
	Smelters	180	51
Soot and dust	Boilers	0.15	0.007
	Diesel engines	0.1	0.022
	Heating furnaces	0.2	0.002
	Incinerators	0.5	0.166
	Smelters	0.2	0.013
Dioxins	Incinerators	10	0.019
	Aluminum furnaces	5	1.6

Unit: NOx: ppm, Soot & dust: g/m<sup>3</sup>N, Dioxins: ng-TEQ/m<sup>3</sup>N  
Measured values are the maximum measured values in FY 2002

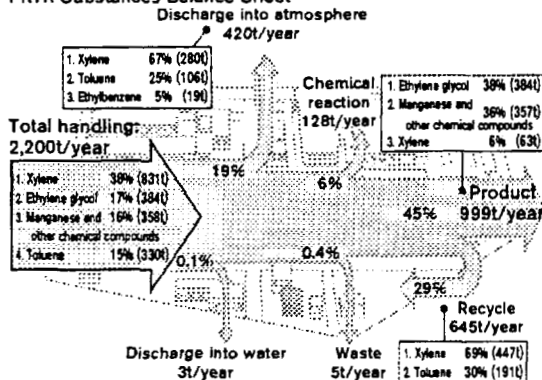
**Wastewater Quality (Water Pollution Control Law and other ordinances)** Unit other than pH: mg/l

Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5.8-8.6	8.0	6.4	7.3
COD*	—	—	—	—
BOD*	25	15.5	1	2.8
SS*	50	28.8	1	2.3
Oil	5	1.6	0.5	0.6
Zinc	5	2.2	0.1	0.2
Smelttable metal	3	1.6	0.1	0.2
Soluble manganese	3	0.3	0.1	0.1
Fluorine	8	1.4	0.3	0.7
Total nitrogen	20	9.6	3.6	5.7
Total phosphorous	2	0.1	0.1	0.1

\* Tochigi prefectural ordinance

● Measurements of items other than those listed above were below minimum quantifiable limits

**PRTR Substances Balance Sheet**



**Kyushu Plant** Received ISO14001 certification: March 1999  
800-0345

1-3 Shinhamacho, Kanda-machi, Miyako-gun, Fukuoka-ken

**Environmental Slogan**

Continuing our efforts in environmental improvement activities for the preservation of the surrounding ocean and nature.

**Air Quality (Air Pollution Control Law and ordinances)**

Substance	Facilities	Legal Limits	Measured Value
NOx	Boiler	230	110
	Gas turbines	70	52
	Heating furnaces	230	48
	Incinerators	250	140
	Boiler	0.1	0.003
Soot and dust	Gas turbines	0.05	ND
	Heating furnaces	0.15	0.003
	Incinerators	0.15	0.003
Dioxins	Incinerators	5	0.14

Unit: NOx: ppm, Soot & dust: g/m<sup>3</sup>N, Dioxins: ng-TEQ/m<sup>3</sup>N  
Measured values are the maximum measured values in FY 2002  
●ND indicates below minimum quantifiable limits

**Wastewater Quality (Water Pollution Control Law and other ordinances)** Unit other than pH: mg/l

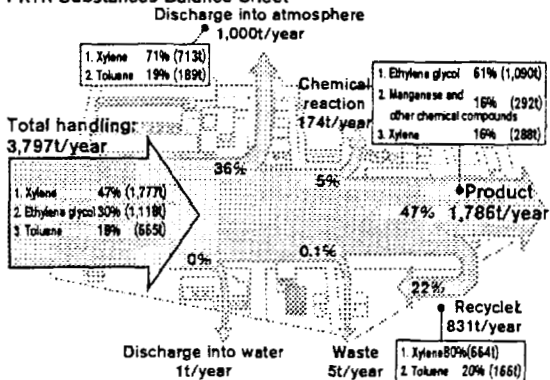
Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5.8-8.6	7.1	6.4	6.8
COD*	15	8.6	5.4	7.1
BOD	20	3.1	1.1	1.8
SS	25	1	ND	ND
Oil*	2	ND	ND	ND
Zinc	5	1.9	0.43	1.2
Fluorine	8	2.3	1.7	2.0
Soluble manganese	10	2.6	1.3	1.9
Total nitrogen	120	19.5	9.7	13.8
Total phosphorous	16	5.2	1.3	2.8

\* Tochigi prefectural ordinance

● Measurements of items other than those listed above were below minimum quantifiable limits

●ND indicated values lower than the minimum quantifiable limit

**PRTR Substances Balance Sheet**



## Yokohama Plant

Received ISO14001 certification: July 1998

220-8623

2 Takara-cho, Kanagawa-ku, Yokohama-shi, Kanagawa-ken

### Environmental Slogan

Safeguarding the environment to make the plant environmentally friendly and in harmony with the local community.

Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NO <sub>x</sub>	Boiler	46	45
	Heating furnaces	29	28
	Gas engines	50	32
	Furnaces	172	161
Soot and dust	Smelters	60	48
	Boiler	0.05	0.004
	Heating furnaces	0.1	0.002
	Gas engines	0.04	0.001
	Furnaces	0.1	0.05
Dioxins	Smelters	0.1	0.028
	Aluminum furnaces	5	0.44

Unit: NO<sub>x</sub>: ppm, Soot & dust: g/m<sup>3</sup>, Dioxins: ng-TEQ/m<sup>3</sup>

Measured values are the maximum measured values in FY 2002

Wastewater Quality (Water Pollution Control Law and other ordinances)

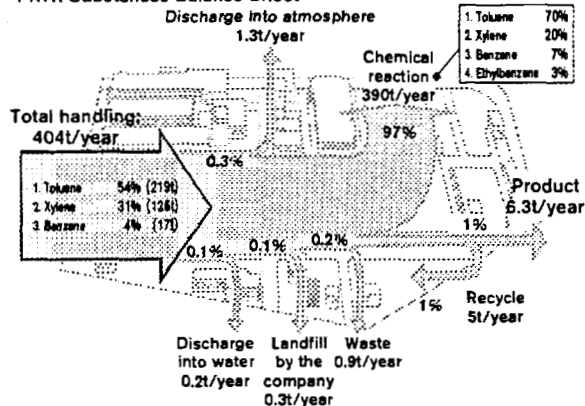
Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5.8A-8.6	7.6	6.3	7.1
COD*	60	16	3	9.5
COD (total)	District 2	64.6	46.6	1.4
	District 3	92.1	79.7	0.6
	District 4	7	1.4	ND
BOD*	60	18	2	7.56
SS*	90	43	1	7.25
Oil	5	4	1	2
Copper	3	0.09	0.01	0.02
Zinc	3	0.15	0.02	0.07
Fluoride	8	0.6	0.1	0.25
Smelttable metal	10	0.8	0.2	0.36
Soluble manganese	1	0.2	0.1	0.11
Total nitrogen	30	17	2.7	7.43
Total phosphorous	8	2.9	0.1	0.58

\* Indicates figures under self

● Measurements of items other than those listed above were below minimum quantifiable limits

● ND indicates below minimum quantifiable limits

### PRTR Substances Balance Sheet



## Iwaki Plant

Received ISO14001 certification: March 1999

971-8183 386 Shimokawa Otsurugi-aza, Otsurugi, Izumi-cho,

Iwaki-shi, Fukushima-ken

### Environmental Slogan

Protecting the global environment and building an environmentally friendly clean plant preserving the surrounding nature of Iwaki.

Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NO <sub>x</sub>	Smelters	100	28.0
	Boilers	120	92
Soot and dust	Smelters	0.03	0.025
	Boilers	0.03	ND
Dioxins	Aluminum furnaces	20	0.01

Unit: NO<sub>x</sub>: ppm, Soot & dust: g/m<sup>3</sup>, Dioxins: ng-TEQ/m<sup>3</sup>

Measured values are the maximum measured values in FY 2002

● ND indicates below minimum quantifiable limits

Wastewater Quality (Water Pollution Control Law and other ordinances)

Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5.8-8.6	7.5	6.8	7.3
COD*	12	11.9	3.4	6.7
SS*	40	8.0	ND	ND
Oil	5	0.6	ND	0.5
Zinc	5	—	—	0.1
Smelttable metal	10	—	—	0.3
Total nitrogen	60	—	—	2.6
Total phosphorous	8	—	—	0.08

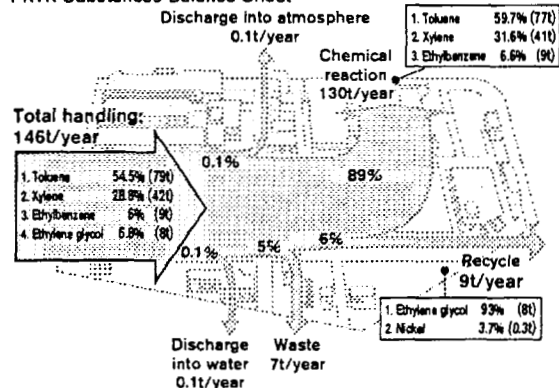
\* Indicates pollution prevention agreement (Fukushima Prefecture, City of Iwaki, Nissan)

● Measurements of items other than those listed above were below minimum quantifiable limits

● ND indicates below minimum quantifiable limits

The above data are under normal operating conditions, not in the event of environmental accident

### PRTR Substances Balance Sheet



## Technical Center

Received ISO14001 certification: March 1999

243-0192 560-2 Okatsukoku, Atsugi-shi Kanagawa-ken

## Zama Operations Center

Received ISO14001 certification: January 2000

228-8502 2-10-1 Hironodai, Zama-shi, Kanagawa-ken

### Environmental Slogan

Working together to continue protecting the invaluable global environment

### Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NOx	Kerosene boilers	150	130
	(Installed before April 1, 1997)		
	Kerosene boilers	80	66
	(Installed after April 1, 1997)		
	Gas boilers	105	77
Soot and dust	Smelters	180	7
	Kerosene boilers	0.3	< 0.002
	Gas boilers	0.1	< 0.009
	Smelters	0.2	< 0.001

Unit: NOx: ppm, Soot & dust: g/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

### Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NOx	Boilers	60	18.9
	Air heating furnace	150	40
	Heater	120	35
Soot and dust	Boilers	1	0.001
	Air heating furnace	0.3	0.001
	Heater	0.3	0.001

Unit: NOx: ppm, Soot & dust: g/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

### Wastewater Quality (Water Pollution Control Law and other ordinances)

Unit other than pH: mg/l

Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5 < 9	7.9	6.6	7.3
BOD	< 600	270	1	47.1
SS	< 600	90	1	16.5
n-hexane				
Liquid petroleum	5	1	1	1.0
Fat and oil taken from plants and animals	30	6	1	2.4
Zinc	3	0.9	ND	0.2
Nickel	1	0.3	0.1	0.1
Iodine	< 220	ND	ND	ND
Steel	10	1.6	0.2	0.5
Manganese	1	0.1	0.1	0.1

● Measurements of items other than those listed above were below minimum quantifiable limits

● ND indicates below minimum quantifiable limits

### Wastewater Quality (Water Pollution Control Law and other ordinances)

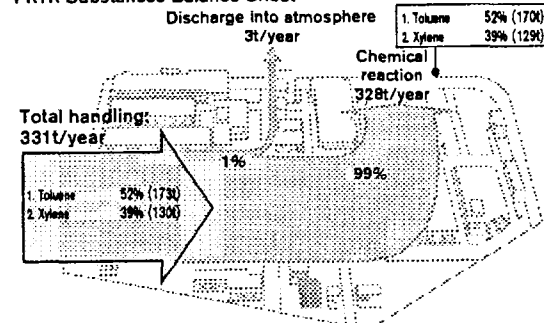
Unit other than pH: mg/l

Item	Legal Limits	Measured Values		
		Maximum	Minimum	Average
pH	5.8~8.6	7.8	7.3	7.4
COD	60	7.0	3.8	5.7
BOD	60	3.2	2.0	2.5
SS	90	6	2.0	3.5
Oil	5	ND	ND	ND
Zinc	5	0.1	0.05	0.07
Fluoride	8	0.5	0.5	0.5
Soluble manganese	1	0.078	0.5	0.05
Total nitrogen	60	8.5	2.9	6.3
Total phosphorous	8	0.31	0.07	0.19

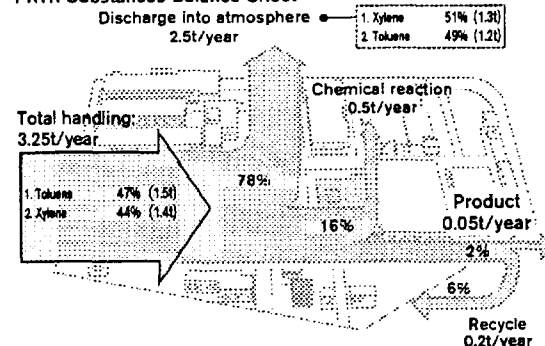
● Measurements of items other than those listed above were below minimum quantifiable limits

● ND indicates below minimum quantifiable limits

### PRTR Substances Balance Sheet



### PRTR Substances Balance Sheet



## 2 Important Plant Environmental Data for Consolidated Subsidiaries

### JATCO Transtechnology Co., Ltd. Fuji Plant

Received ISO14001 certification: February 2001  
417-0023 1-1 Yoshiwara Takara, Fuji-shi, Shizuoka-ken

#### Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NO <sub>x</sub>	Boilers*	100	66
	Heating furnaces*	100	100
	Incinerators*	100	53
Soot and dust	Boilers*	0.05	0.022
	Heating furnaces*	0.05	0.022
	Incinerators*	0.05~0.40	0.058
Dioxins	Aluminum furnaces	5	1.2
	Incinerators	10	10

\* Guidance standard value (Kambara-cho, Fuji-shi)

Unit NO<sub>x</sub> = ppm, soot and dust: g/m<sup>3</sup>N, dioxins = ng-TEQ/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

#### Wastewater Quality (Water Pollution Control Law and other ordinances)

Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	5.8~8.6	7.7	6.5	7.1
COD*	20	19.6	1.4	9
BOD*	20	19.5	0.7	6.8
SS*	20	19.3	0.1	2.2
Oil*	4	4.5	0.2	2.3

\* Guidance standard value (Kambara-cho, Fuji-shi)

### Nissan Shatai Co., Ltd. Shonan Plant

Received ISO14001 certification: December 1997  
254-8610 10-1 Amanuma, Hiratsuka-shi, Kanagawa-ken

#### Air Quality (Air Pollution Control Law and ordinances)

Substance	Legal Limits	Measured Value
NO <sub>x</sub> (total volume)	230	99
Soot and dust (total volume)	0.1	0.005

Unit NO<sub>x</sub> (total volume) = m<sup>3</sup>N/H, soot and dust (total volume) = g/H  
Measured values are the maximum measured values in FY 2002

#### Wastewater Quality (Water Pollution Control Law and other ordinances)

Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	5.8~8.6	7.7	7.2	7.4
BOD	300	22	5	12.3
SS	300	60	7	20.5
Oil	30	6	ND	2.2

● ND indicates values lower than the minimum quantifiable limit.

### Nissan Kohki Co., Ltd. Main Plant

ISO14001 certification: planned for 2005  
253-0105 6-6-1 Okada, Samukawa-machi, Koza-gun, Kanagawa-ken

#### Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NO <sub>x</sub>	Boilers*	150	76
Soot and dust	Boilers*	0.3	0.0097
Dioxins	Incinerators	10	5.5

\* Regulation values are Kanagawa Prefecture ordinance values.

Unit NO<sub>x</sub> = ppm, soot and dust: g/m<sup>3</sup>N, dioxins = ng-TEQ/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

#### Wastewater Quality (Water Pollution Control Law and other ordinances)

Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH*	5.8~8.6	7.6	6.9	7.4
COD*	60	44	19	30
BOD*	60	29	5	18.3
SS*	90	10	1	3.1
Oil*	5	1	1	1

\* Regulation values are Kanagawa Prefecture ordinance values.

### Aichi Machine Industry Co., Ltd. Atsuta Plant

Received ISO14001 certification: January 2001  
456-0055 10 Minami Ichiban-cho, Atsuta-ku, Nagoya-shi, Aichi-ken

#### Air Quality (Air Pollution Control Law and ordinances)

Substance	Facilities	Legal Limits	Measured Value
NO <sub>x</sub>	Boilers	180	79
Soot and dust	Boilers	0.15	0.002

Unit NO<sub>x</sub> = ppm, soot and dust = g/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

#### Wastewater Quality (Water Pollution Control Law and other ordinances)

Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	5.8~8.6	7.7	6.6	7.2
BOD	160	8.1	2.2	6.9
SS	200	2.2	0.9	1.4
Oil	5	1.3	0.7	1.02

## Environmental Data for Overseas Subsidiaries

### Nissan Motor Manufacturing (UK) Ltd.

Received ISO14001 certification: September 1998

Air			
Substance	Facilities	Legal Limits	Measured Value
NOx	Drying Ovens	100	72.8
Soot and Dust	Drying Ovens	50	4.8
	Furnaces	50	5.2

Unit NOx = ppm

Soot and dust = g/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

Wastewater Quality		Unit Other than pH: mg/l		
Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	6.0-10	9.5	7.3	8
SS	200	72	10	27
Zinc	2	0.33	0.026	0.12

### Nissan Motor Iberica, S.A.

Received ISO14001 certification: December 1998

Air			
Substance	Facilities	Legal Limits	Measured Value
NOx	Boilers	300	56
	Drying ovens	300	9
Soot and dust	Boilers	150	1.1
	Drying ovens	150	0.6
SOx	Boilers	4,300	ND
	Drying ovens	4,300	ND

Unit NOx = ppm, Soot and dust = g/m<sup>3</sup>N, SOx = g/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

● ND indicates values lower than the minimum quantifiable limit.

Wastewater Quality		Unit Other than pH: mg/l		
Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	5-11	8.6	7.1	7.9
COD	900	502	101	477
SS	300	180	26	100
Zinc	10	0.288	0.006	0.068
Soluble manganese	5	0.653	0.117	0.239
Total nitrogen	140	43.83	22.96	37.2
Total phosphorous	30	5.06	2.01	4.05

### Nissan North America, Inc.

Received ISO14001 certification: December 1999

Air			
Substance	Facilities	Legal Limits	Measured Value
NOx	Boilers (lb/H)		
	Drying ovens (t/year)		
Soot and dust	Boilers (lb/MMBTU)		
Sox	Boilers (lb/H)		

Unit lb = pound (1 lb = 453.6g), MMBTU = 1.054X10<sup>9</sup>J

Measured values are the maximum measured values in FY 2002

Wastewater Quality		Unit Other than pH: mg/l		
Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	6-10	9.8	7.4	8.5
BOD	500	11.3	11.3	11.3
SS	500	15.6	15.6	15.6
Phenol	0.4	0.17	0.005	0.093
Copper	0.4	0.102	0.017	0.039
Zinc	1	0.408	0.026	0.185
Total chrome	1.71	0.01	0.01	0.01

### Nissan Mexicana, S.A. de C.V.

Received ISO14001 certification: December 1998

Air			
Substance	Facilities	Legal Limits	Measured Value
NOx	Boilers	375	100.28
	Drying ovens	999.84	34.7
	Heating furnaces	375	0.71
Soot and dust	Boilers	2,930	5.3
	Drying ovens	1,502	24.7







Unit NOx = ppm Soot and dust = g/m<sup>3</sup>N

Measured values are the maximum measured values in FY 2002

Wastewater Quality		Unit Other than pH: mg/l		
Items	Legal Limits	Measured Value		
		Maximum	Minimum	Average
pH	6-9	7.5	7.2	7.35
BOD	150	60	14.4	37.2
SS	150	28.5	28	28.25
Zinc	10	0.26	0.193	0.2265
Total nitrogen	40	33.925	23.509	28.717

## 4 Main Environmental Data of New Vehicles

### New Vehicles for FY 2002

Specifications	Vehicle Name	MOCO <sup>*1</sup>	Elgrand	Fairlady Z	Cube	Skyline Coupe	Teana
							
Vehicle type	Vehicle type	UA-MG21S	UA-E51	UA-Z33	UA-BZ11	UA-CPV35	UA-J31
	Type	K6A	VQ35DE	VQ35DE	CR14DE	VQ35DE	VQ23DE
	Engine Displacement (cc)	0.658	3.498	3.498	1.386	3.498	2.349
	Fuel	Gasoline	Gasoline	Gasoline	Gasoline	Gasoline	Gasoline
	Drive system	2WD	2WD	2WD	2WD	2WD	2WD
	Transmission	4AT	5AT	5AT	4AT	5AT	4AT
Date on sale	Year/month	02/4	02/5	02/7	02/10	03/1	03/2
Subject to environment tax	Subject to environment tax	—	—	—	○	—	—
	Conformity to regulations	2000 passenger vehicle regulations	2000 passenger vehicle regulations	2000 passenger vehicle regulations	2000 passenger vehicle regulations	2000 passenger vehicle regulations	2000 passenger vehicle regulations
	Low-emission vehicle certified by the Ministry of Land, Infrastructure and Transport	○	○	○	○	○	○
	Level of reduction below regulation limits	<Ultra-low emission vehicle> (75%)	<Ultra-low emission vehicle> (75%)	<Ultra-low emission vehicle> (75%)	<Ultra-low emission vehicle> (75%)	<Ultra-low emission vehicle> (75%)	<Ultra-low emission vehicle> (75%)
	Low-emission vehicle certification <sup>*3</sup>	8 local governments	○	○	○	○	○
		6 local governments	○	○	○	○	○
Exhaust Emissions <sup>*1</sup>	Fuel consumption 10-15 mode fuel consumption (km/l)	18.4	8.2	9.0	16.4	8.6	11.2
	Greenhouse effect gas CO <sub>2</sub> emissions (g/km)	128	288	262	144	274	211
	HFC refrigerant use (g)	350	990	550	450	550	500
Noise	Compliance with regulations (acceleration noise: dB)	76	76	76	76	76	76
	Lead usage (below 1/3 of 1996 levels)	○	○	○	○	○	○
	Mercury (illumination discharge tube)	—	Trace	Trace	Not used <sup>*5,*6</sup>	Trace	Trace
Substances with environmental impact <sup>*4</sup>	Cadmium (special solder)	—	Trace	Trace	Trace	Trace	Trace
	Recyclable <sup>*7</sup>	—	Over 90%	Over 90%	Over 95%	Over 90%	Over 90%
	Use of recycled bumper materials	—	2 parts	3 parts	1 parts	3 parts	—
Recycling	Use of recycled non-automotive materials	—	1 parts	3 parts	2 parts	5 parts	4 parts
	Use of easily recycled materials (plastic parts) <sup>*6</sup>	○	○	○	○	○	○
	Material identification of plastic parts and rubber parts	○	○	○	○	○	○

Each vehicle shown represents the largest selling model.

<sup>\*1</sup> Provided as part of an OEM joint venture with Suzuki, therefore some data not available.

<sup>\*2</sup> Gasoline passenger vehicle exhaust gas regulations (10-15 mode, unit: g/km).

<sup>\*3</sup> 8 local governments: low pollution values for Japan's eight major urban areas, 6 local governments: low exhaust gas vehicle standards (LEV-6) for the six prefectures making up the Keihanshin area.

<sup>\*4</sup> Sodium azide not used.




<sup>\*5</sup> "Trace" when the vehicle is fitted with a navigation system.

<sup>\*6</sup> "Trace" when the vehicle is fitted with xenon head lights.

<sup>\*7</sup> Nissan calculation values. Volume-based.

<sup>\*8</sup> Examples of easily recyclable materials:

- Bumpers
- Instrument panel
- Door trim
- Glove compartment
- Console box
- Pillar trim
- Floor carpet

	Current values <sup>*2</sup>	25% reduction from 2000 gas emission standards	50% reduction from 2000 gas emission standards	75% reduction from 2000 gas emission standard
CO	0.67			
HC	0.08	0.06	0.04	0.02
NO <sub>x</sub>	0.08	0.06	0.04	0.02

● More detailed data are available in "Environmental Notes". ([http://www.nissan.co.jp/INFO/E\\_NOTE](http://www.nissan.co.jp/INFO/E_NOTE))

## 5 Others

### Number of Employees with Environmental Qualifications (as of March 2002)

	Qualification	Number of certified employees
External qualifications	Assistant ISO14001 auditor	7
	Assistant ISO14001 auditor (qualified for applications)	66
	Energy administrator/administration staff	85
	Pollution prevention administrator	6
	Air	53
	Water	51
	Noise pollution	22
Internal qualifications	Vibration	9
	Dioxin	19
	Nissan internal environmental auditor	580
	Nissan Green Shop auditor	94

### Major Employee Education Programs (FY 2002)

Items	Number in attendance
New Employee Training - Environmental Lectures	605
Basic Technical Employee Training I - Environmental Related Lectures	1,923
Basic Technical Employee Training II - Applicable Technical Employee Education Environmental Related Lectures	104
General Technical Employee Training - Environmental Lectures	18
Environmental Management Lectures	33
Energy Conservation Technology Lectures	36
Training for Internal Environmental Auditors	59
Refresher Training for Internal Environmental Auditors	58
Training for Assistant ISO14001 auditors	1

### FCV (Fuel Cell Vehicle) Exhibitions and Test Drive Events (18 events in FY 2002)

June 1-2	ECO CAR WORLD 2002
September 4-6	CaFCP California Coast 2002 Road Rally
September 21	Japan Hydrogen & Fuel Cell Demonstration Project (JHFC) FCV Hands-on Learning Class and Trial Rides for Kids
November 4	Japan EV Festival 2002
December 10-11	Advanced Technologies Presentation Meeting & Test Drive
December 13	Ministry of the Environment Test Drive
December 13	Ministry of Economy, Trade and Industry Test Drive
December 17	Ministry of Land, Infrastructure and Transport Test Drive
December 18	Japanese Electric Vehicle Association (JEVA) Electric Vehicle Forum Exhibition
January 23	Environmentally Friendly Vehicles (EFV) International Meeting & Trial Rides
January 29	National Traffic Safety and Environment Laboratory Test Drive
January 30	Ministry of Land, Infrastructure and Transport KANTO District Transport Bureau Test Drive
February 6-7	Energy and Environment Exhibition (ENEX) 2003 (Tokyo)
February 13-15	Energy and Environment Exhibition (ENEX) 2003 (Osaka)
March 12	Opening of JHFC Park, Trial Rides
March 18	The 3rd International Electric Vehicle Symposium Exhibition on Fuel Cell Vehicles
March 22	Environment & Low Emission Vehicle Fair - Exhibition in No. 2 (Low Emission Vehicle) Division
March 23-25	International Conference on Environmentally Sustainable Transport Exhibition

### Number of Low Emission Vehicles Shipped (FY 2002)

		Passenger vehicle		Truck		Bus	Total
		Standard and compact	Light motor vehicle	Standard and compact	Light motor vehicle		
Low Emission vehicles	Electric Vehicle (EV)	0	30	0	0	0	30
	Hybrid Electric Vehicle (HEV)	0	0	0	0	0	0
	Compressed Natural gas Vehicle (CNG)	0	0	383	0	7	390
	Methanol vehicle	0	0	0	0	0	0
Certified as both low fuel composition and low emission vehicles *1	☆☆☆	419,844	35,284	23,274	0	0	478,402
	☆☆	0	0	0	0	0	0
Diesel alternative LPG vehicles	☆☆	41,968	0	14,193	0	0	56,161
	☆☆	0	0	83	0	0	83
Total		461,812	35,314	37,833	0	7	535,066

\* Low emission vehicles indicate vehicles sold.

\* Includes vehicles received as OEM, but not supplied as OEM.

\* Diesel alternative LPG vehicles numbers indicate Atlas 20 LPG vehicles sold.

\*1 Achieved fuel standards early according to the Law Concerning the Rational Use of Energy, and is certified as a low emission vehicle according to the Low Emission Vehicle Certification Guidelines.

• Certified low emission vehicle

☆☆☆ (Ultra-low emission vehicle): 75% reduction from 2000 gas emission standards

☆☆ (Excellent-low emission vehicle): 50% reduction from 2000 gas emission standards

☆☆ (Good-low emission vehicle): 25% reduction from 2000 gas emission standards

## 4 | Data and Reference

### Number of Low Emission Vehicles Shipped (FY 2002)

Number of Low Emission Vehicles Shipped			Number of shipped vehicles		
Ultra-low emission vehicle (75% reduction from 2000 gas emission standards)	March	163,198	X-Trai	27,209	
	Cube	67,452	Wingroad	23,757	
	Serena	49,552	Cube	18,654	
	Egrand	43,517	Cedric / Giona	12,755	
	Sunny	36,383	AD Van	12,750	
	Moco	35,284	Liberty	9,467	
	Bluebird Sylphy	23,338	Sunny	8,713	
	Wingroad	22,866	Bluebird Sylphy	7,778	
	AD Van	20,353	Moco	6,592	
	Liberty	18,202	Présage	3,738	
	Primera	16,491	March	3,515	
	Teana	15,476	Avenir	1,935	
	Fairlady Z	13,457	Expert	1,876	
	Skyline	5,622	Caravan	1,830	
	Expert	3,195	Bassara	1,511	
	Avenir	1,063	Primera	1,031	
	Tino	549	Safari	263	
		535,998	March	4	143,378
Good-low emission vehicle (25% reduction from 2000 gas emission standards)	Moco	7,813			
	Cedric	3,977			
	Crew	3,092			
	Caravan	421			
		15,303			
			Total		694,679

Ultra-low emission vehicle: 75% reduction from 2000 gas emission standards  
 Good-low emission vehicle: 25% reduction from 2000 gas emission standards

### Nissan Motor Co., Ltd. PRTR Environmental Contaminant Discharge/Displacement (FY 2002)

Substance number	Chemical substance	Amount handled	Air	Water	Transferred as waste	Buried by Nissan	Recycled	Chemically changed	Product
1	Water-soluble zinc compounds	49,207	0	357	2,729	3,592	0	1,200	41,328
9	Bis (2-ethylhexyl) adipate	6,174	0	0	0	0	0	572	5,603
13	2,2'-azobisisobutyronitrile	73	0	0	7	0	0	0	65
15	2-Ethynol amine	9,468	2	249	450	0	0	8,766	0
24	linear alkyl benzene sulfonic acid	35	0	2	33	0	0	0	0
25	Antimony and its compounds	27,770	0	0	0	0	0	0	22,770
29	Bisphenol A	21,311	0	0	0	0	0	21,311	0
30	Bisphenol A mold epoxy resin	16,416	0	35	0	0	0	871	15,509
40	Ethyl benzene	233,378	60,243	0	210	0	666	83,658	88,601
43	Ethylene glycol	2,601,380	26,289	0	0	0	89	1,960	2,573,042
44	Ethylene glycol monoethyl ether	38	37	0	0	0	0	1	0
63	Xylene	4,312,944	1,490,424	0	1,007	0	1,856,343	562,835	402,336
67	Cresol	1,710	0	0	0	0	0	1,710	0
68	Chromium and trivalent chromium compounds	32,309	0	0	27	0	0	0	32,281
69	Hexavalent chromium compounds	20	0	0	6	0	0	0	14
100	Cobalt and its compounds	185	0	0	19	0	0	0	167
101	2 ethoxyethyl acetate	281	224	0	0	0	0	57	0
109	2-(Diethylamino) ethanol	275	0	55	0	0	0	220	0
176	Organotin compounds	16,217	0	162	0	0	0	16,054	0
179	Dioxins	3,230	72	0	645	0	2,513	0	0
224	1, 3, 5 trimethylbenzene	51,751	41,625	0	0	0	1,788	8,338	0
227	Toluene	2,284,572	518,359	0	1,904	0	570,697	598,755	594,857
230	Lead and its compounds	2,794	0	0	312	2	229	0	2,251
231	Nickel	479	0	0	38	0	0	3	438
232	Nickel compounds	8,504	0	204	2,684	2,725	0	0	2,891
243	Barium and its compounds	808	0	0	804	0	0	0	5
253	Hydrazine	76	0	0	0	0	0	86	10
260	Pyrocatechol	19,260	0	0	0	0	0	19,260	0
266	Phenol	23,685	0	0	0	0	0	23,685	0
270	Di-n-Butyl Phthalate	177	7	0	0	0	0	125	44
272	Bis (2-ethylhexyl) phthalate	315,174	0	0	0	0	0	11,193	303,981
283	Hydrogen fluoride and its compounds	15,480	1,371	2,127	2,751	0	9,230	0	0
299	Benzene	97,258	177	0	67	0	0	25,407	71,608
304	Boron and its compounds	1,318	47	351	686	223	0	3	7
307	Poly (oxyethylene) = alkyl ether (C = 12 - 15)	5,534	0	127	1,929	0	0	3,478	0
309	Poly (oxyethylene) nonyl phenyl ether	7,785	1	216	685	0	433	6,450	0
310	Formaldehyde	8,339	7,119	0	2	0	0	1,204	14
311	Manganese and its compounds	380,665	0	763	1,590	5,318	0	0	372,993
312	Phthalic anhydride	144	0	0	0	0	0	12	132
314	Methacrylic acid	1	0	0	0	0	0	1	0
315	Ethylhexyl dimethacrylate	1	0	0	0	0	0	1	0
345	Molybdenum and its compounds	6,943	0	0	10	0	61	0	6,872
Total		10,554,936	2,145,927	4,649	17,949	11,860	2,439,536	1,397,198	4,537,817

\* According to PRTR law, raw materials that contain 0.1% or more of carcinogen (designated type 1 chemical substances) and those that contain 1% or more of other substances are measured.

\* Only carcinogens whose annual handling volume is 500 kg or greater and other substances whose handling volume is 1 ton or greater are listed. (All dioxins are listed)

\* As the figures are rounded to the first place, the sum of air, water, chemicals transferred as waste, or buried by Nissan, recycled, chemically changed, and made into products may not necessarily be the same as the sum of the amount handled or total.

## Major Achievements Over the Last Five Years

<b>1997</b>	March	Cedric/Gloria CNGV (compressed natural gas vehicle) is released
	May	Prairie Joy EV (electric vehicle) is released Oppama Plant receives ISO14001 certification for its environmental management system
	June	Nissan begins to issue Environmental Note EURO Environmental Management Committee is formed
	September	NISSAN CVT is commercialized
	October	Demonstration dismantling plant is opened to promote the recycling of end-of-life vehicles
	December	Nissan (NEO Di) direct-injection gasoline engine is commercialized
<b>1998</b>	January	North American Environmental Management Committee is formed
	February	Sale of LEV is commenced (Cube) Nissan Vehicle Recycling Program is announced Green Office Program is launched
	March	Nissan Environmental Report (data version) is issued
	May	R'nessa EV (electric vehicle) is released
	June	Nissan NEO Di direct-injection diesel engine is commercialized
	September	A unit combining direct-injection gasoline engine and NISSAN CVT is commercialized The first Nissan Environmental Forum is held
<b>1999</b>	February	The Nissan Green Parts supply system is expanded Fukatsukun, an engine coolant recycling machine, is released
	March	All seven plants in Japan and the Product Planning, Research and Development Group acquire ISO14001 certification for environmental management systems
	May	On-road testing of the Tino methanol hybrid started On-road testing of methanol reformer-equipped fuel cell vehicle started
	June	Nissan NEO Di VQ30DD and Nissan NEO Di VQ25DD, direct-injection gasoline engines that meet 2000 exhaust emission standards, are commercialized on the new Cedric/Gloria
	September	Participation in joint field trial projects with the ultra-small Hypermini EV Nissan Environmental Report 1999 is issued
	October	The Extroid CVT new generation transmission is installed on a vehicle for the first time in the world, on the Cedric/Gloria
<b>2000</b>	January	Nissan Sentra CA, the world's cleanest gasoline vehicle, is launched in California
	February	Hypermini ultra small electric vehicle is released
	March	Nissan participates in The California Fuel Cell Partnership in the United States Nissan Green Shop certification system, Nissan's independent environmental certification system, is implemented at dealers Tino Hybrid is released
	April	AD Van CNGV (compressed natural gas vehicle) is verified as ultra-low emission vehicle (☆☆☆) by the Ministry of Transportation's low emission vehicle certification system
	August	Bluebird Sylphy, an ultra-low emission vehicle (☆☆☆), is released
	September	Nissan Environmental Report 2000 is issued Environmental actions announced for the former Ogikubo Office site
	October	Nissan Green Parts is extended throughout the country Atlas 10 LPG and Atlas 20 LPG vehicles are released
<b>2001</b>	April	Public road test of Xterra FCV (high-pressure hydrogen fuel cell vehicle) is started Environmental actions announced for the former Murayama Plant site
	August	Clean emissions model is added to the JX-w engine powered forklift
	September	Results of the environmental survey on the former Murayama Plant site are announced Nissan Environmental Report 2001 is issued
	October	Nissan announces the use of ultra-low emission engines on more models
	November	Environmental survey on the former Murayama Plant site is completed

<b>2001</b>	December	Serena, an ultra-low emission vehicle (☆☆☆), is released Forklift engines (gasoline and LPG) are certified for the first time by California's emission regulations
<b>2002</b>	January	NISSAN GREEN PROGRAM 2005 is announced Sponsoring "Nissan Environmental Meeting" Exhibition on the Coexistence of Man, Automobile, and Nature is held
	February	Skyline, an ultra-low emission vehicle (☆☆☆), is released Primera, an ultra-low emission vehicle (☆☆☆), is released
	March	March, an ultra-low emission vehicle (☆☆☆), is released Nissan Green Shop certification is completed at all dealers
	April	Moco, an ultra-low emission vehicle (☆☆☆), is released
	May	Sunny, an ultra-low emission vehicle (☆☆☆), is released Elgrande, an ultra-low emission vehicle (☆☆☆), is released
	July	Nissan Environmental and Social Report 2002 is issued Fairlady Z, an ultra-low emission vehicle (☆☆☆), is released
	August	Results of the environmental survey on the former Kurihama Plant site are announced Avenir, an ultra-low emission vehicle (☆☆☆), is released Expert, an ultra-low emission vehicle (☆☆☆), is released AD Van, an ultra-low emission vehicle (☆☆☆), is released
	September	Liberty, an ultra-low emission vehicle (☆☆☆), is released March featuring e-4WD released
	October	Cube, an ultra-low emission vehicle (☆☆☆), is released Tino, an ultra-low emission vehicle (☆☆☆), is released
	November	Wingroad, an ultra-low emission vehicle (☆☆☆), is released
	December	X-TRAIL FCV Approved by Minister of Land, Infrastructure and Transport
<b>2003</b>	January	Skyline Coupe, an ultra-low emission vehicle (☆☆☆), is released
	February	Teana, an ultra-low emission vehicle (☆☆☆), is released Nissan Achieves ultra-low emission vehicle (☆☆☆) ratio of 80% of all passenger vehicles sold in Japan

## TOPICS Topics Environmental awards received in FY 2002

( ) sponsoring bodies

Nissan's efforts in environmental protection are bearing fruit as environmental improvement technologies. These technologies and activities were recognized with various awards during 2002.

### The Nihon Keizai Shimbun Environmental Technology Award 2003 (Nikkei Business Publications, Inc.)

The e-4WD system is engineered around a regular front drive configuration, and when compared to mechanical 4WD systems, was judged to achieve improved fuel economy, a more level and roomy interior, as well as reductions in size, weight, and cost.

### 2002 Westech Grand Prize - New Technology Division (Westech Executive Committee)

Nissan has developed and introduced the unique environmental certification accreditation system, the "Nissan Green Shop Certification System," which is in accordance with ISO14001. Implementation of this was completed at all sales companies by March 2002. This covers not only environmental preservation, but also economic recovery. The system is highly thought of worldwide, in other industries as well.

### 6th Environmental Report Awards - Award for Excellence (Global Environmental Forum)

Nissan's Environmental and Social Report 2002, issued in March 2002, was awarded the Environmental Report Awards 2 years running. Nissan has strived for thorough disclosure of information, and the report shows the responsibility and measures Nissan is taking in reducing environmentally hazardous products. The report was judged to fully illustrate Nissan's stance and activities as regards the environment.

### 6th Green Reporting Award, Award for Merit (Toyo Keizai Inc.)

The Environmental and Social Report that was issued in March 2002 was given this award, as it was judged to give detailed explanations of recycling, and to positively reflect readers' opinions.

### Comparison of Items Included in the Environmental and Social Report

This report makes use of outside guidelines in presenting Nissan's environmental management system, policies, goals, reporting plan, etc. The chart below compares the previous editions of the Environmental Report with this version, in line with the Environmental Reporting Guidelines (February 2001) prepared by Japan's Ministry of the Environment. We will also continue to make improvements to the sustainability report, by providing social performance based on GRI.

Items		March 1999 Edition	March 2000 Edition	March 2001 Edition	March 2002 Edition	March 2003 Edition
Ministry of the Environment Environmental Reporting Guidelines (FY 2000 Version)	<b>Basic items</b>					
	CEO's introductory remarks and signature	■	●	■	■	■
	Preliminary remarks and signature of officer in charge of environmental protection	■	■	■	■	■
	Corporate philosophy (management philosophy)	■	■	■	■	■
	Corporate profile	■	■	■	■	■
	Name of department that prepared the report and the contact	■	■	●	■	■
	List of disclosed materials	■	■	■	■	■
	Report time frame and date of next planned publication	■	■	■	■	■
	<b>Environmental Management</b>					
	Environmental philosophy and environmental policies	■	■	■	■	■
	Overview of environmental management system	■	■	■	■	■
	Organization for environmental activities	■	■	■	■	■
	Environmental audit system, if any, and methods	■	■	■	■	■
	ISO14001 certification	■	■	■	■	■
	Communications with subsidiaries, affiliates, and suppliers	■	■	■	■	■
	Emergency Measures	■	■	■	■	■
	Employee education	■	■	■	■	●
	Environmental Communication	■	■	■	■	■
	Compliance with regulatory requirements	■	■	■	■	■
	Environmental Accounting	■	■	■	■	●
	Life cycle assessment	■	■	■	■	■
	<b>Efforts to reduce environmental impact</b>					
	Responsibility specified by field		■	■	■	■
	<b>Product Development</b>					
	Product environment policy	■	■	■	■	●
	Product environmental management organization	■	■	■	■	■
	Cleaner exhaust emissions	■	■	■	■	■
	Improving Fuel Economy	■	●	■	■	■
	Development clean energy vehicles	■	■	■	■	■
	Reducing external car noise	■	■	■	■	■
	Reducing environmental impact substances	■	■	■	■	■
	Suppressing release of air conditioner refrigerants	■	■	■	■	■
	<b>Manufacturing</b>					
	Pre-Assessment system	■	■	■	■	■
	Product environmental management organization	■	■	■	■	■
	Promoting energy saving	■	■	■	■	■
	Waste reduction	■	■	■	■	■
	Atmospheric pollution prevention	■	■	■	■	■
	Preventing water pollution	■	■	■	■	■
	Improving management of chemical substances	■	■	■	■	■
	Contamination of soil and underground water prevention	■	■	■	■	■
	Environmental Preservation in Logistics	■	■	■	■	■
	<b>Sales and Service</b>					
	Development process for recycling design	■	■	■	■	■
	Recycling targets	■	■	■	■	■
	Efforts in the development stage of new models	■	■	■	■	■
	Efforts to promote recycling of end-of-life vehicles	■	■	■	■	■
	<b>Business activities</b>					
	Green Procurement	■	■	■	■	■
	Industrial machinery business	■	■	■	■	■
	Environmental monitoring research	■	■	■	■	■
	Relations with society (e.g., ITS)	■	■	■	■	■
	<b>Interactive communication</b>					
	■	■	■	■	■	■
	<b>Data &amp; Reference</b>					
	■	■	■	■	■	■
						□ Added business sites to report
GRI	<b>Social performance</b>					
	Corporate citizenship	■	■	■	■	■
	Health and safety	■	■	■	■	■
	Employee relations	■	■	■	■	■
	Communication with customers	■	■	■	■	■
	Compliance	■	■	■	■	■
						□ Newly added
Sustainability	Approach to sustainability	■	■	■	■	■
						□ More detailed

## Environmental and Social Report

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- Edition 2 Revised September 1992
- Edition 3 Revised September 1993  
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- Edition 4 Revised March 1997
- Edition 5 Revised October 1997  
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